A SIGNAL FAILURE?

THE ORGANISATION AND MANAGEMENT OF

BRITISH RAILWAYS 1948-1964

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ABSTRACT

This study offers a reassessment of the organisation and management of British Railways from 1948 to 1964. In examining the impact of the 1948 nationalisation, it considers whether the under-studied alternatives proposed by the railway companies might have been more successful, and whether the Labour government's political imperatives resulted in inadequate preparation for public ownership and modernisation of the transport system. Using an extensive range of government files, including records not available for earlier studies, it argues that the slow process of modernisation was less the consequence of government intervention or financial restrictions, or of general economic conditions, than of deficiencies in railway management – division of authority, weak strategic planning, lack of financial control, ineffective implementation of policies, and inability to alter entrenched attitudes in the workforce and among managers themselves. These management problems resulted in the expensive failure of the 1955 Modernisation Plan. The Conservative government, previously supportive (if with misgivings) of the railway management, now had no option but to impose its own review of the railways systems, leading to the controversial 1964 Beeching Report. The Report and implementation of its recommendations are examined with the purpose of assessing whether Beeching deserves his continuing denigration. The main conclusions are that nationalisation was mishandled, and that thereafter management failings made further government intervention inevitable.

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GWB

None of the material in this thesis has been previously submitted for a degree at any university and the contents are solely the work of the author.

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ABBREVIATIONS USED

AAPC	Anglo-American Productivity Council
ASLEF	Associated Society of Locomotive Engineers and Firemen
BBC	British Broadcasting Corporation
BIM	British Institute of Management
BOT	Board of Trade
BR	British Railways
BRB	British Railways Board
BRPC	British Railways Productivity Council
BTC	British Transport Commission
CEGB	Central Electricity Generating Board
CCSI	Cabinet Committee on the Socialisation of Industry
CCTP	Cabinet Committee on Transport Policy
CIPC	Cabinet Investment Programmes Committee
CPC	Cabinet Productivity Committee
CRO	Chief Regional Officer
GCR	Great Central Railway
GWR	Great Western Railway
HCDeb	House of Commons Debates
ICI	Imperial Chemical Industries
LMS	London Midland and Scottish Railway
LNER	London and North Eastern Railway
LNWR	London and North Western Railway
LPTB	London Passenger Transport Board
MOT	Ministry of Transport
MT	Ministry of Transport records in the National Archives
NCB	National Coal Board
NEC	National Executive Committee of the Labour Party
NER	North Eastern Railway Company
NUR	National Union of Railwaymen
MGR	Merry-Go-Round (Freight Train Operation)
MR	Midland Railway
PRO	Public Records Office
RAIL	Railway companies records in the National Archives

RCA	Railway Clerks' Association
RE	Railway Executive
REC	The Railway Association's Railway Executive Committee
RENT	Reorganisation of National Transport
RHE	Road Haulage Executive
RSNT	Railway Staff National Tribunal
SAG	Special Advisory Group
SNCF	Société Nationale des Chemins de Fer Français
SR	Southern Railway
TNA	The National Archives
TSSA	Transport Salaried Staffs' Association
TUC	Trades Union Congress
TUCC	Transport Users' Consultative Committee
US	United States of America
WTEC	Winter Transport Executive Committee

INTRODUCTION

In 1948 the British main-line railway companies were taken under public control. One leading justification was that nationalisation would make the railways more efficient and better co-ordinated with other forms of transport, and would assist the development of the national economy. While nationalisation did have the potential to offer greater efficiency, in practice the creation of a giant geographically spread organisation created many managerial problems. Furthermore, almost from the start, the expectations of financial integrity and efficiency of operation proved difficult to achieve. As a result, a range of remedies were proposed with various results: the 1955 'modernisation plan' failed to cure the problems, and the 'Beeching Report' of 1963 led to a major recasting of the railway system. The aim of this thesis is to explain what went wrong: how from its inception British Railways (BR)[1] faced severe difficulties, some inherent in the character of nationalisation; how BR's management was unable to overcome those difficulties; and how the government came to impose a solution.

Within the historical literature there has been an emphasis on political and technical issues, but here it is argued that greater attention is needed on the relationship between government and railway management. As Terry Gourvish in his major study of the nationalised railways concluded, 'scholars have always been faced with the task of determining the extent to which responsibility with performance rested with the market and the competitive environment; with the independent actions of railway managements: or with the restrictive conditions imposed by government', and 'although much has

[1] The term 'British Railways' has no legal standing but is generally accepted as meaning the national railway industry after nationalisation.

been written about the nationalised industries and the nationalised railways at a general level, comparatively little has been offered *in detail* about the precise influence of government on the activities of state industries'.[2] Moreover, according to Peter Hennessy, there has probably been more fantasy about Britain's railway system than any other issue, apart from its royal family and its secret service.[3]

Investigation of these issues will start with the arguments made by Attlee's Labour government that only through public ownership of the railways could post-war reconstruction be successfully achieved. It was also believed that an integrated and truly national transport system would bring long-term stability and tangible managerial advantages. The accuracy of this perspective will be assessed through an analysis of the Labour party's empirical research used to justify railway nationalisation. A natural corollary is to question whether reconstruction and modernisation could have been managed more effectively by the existing four main-line railway companies (the 'Big Four')[4] than through a nationalised industry.

This background provides the foundation for a question central to this research: why did the British Transport Commission (BTC) and its successor the British Railways Board (BRB)[5] operate in the manner they did, and what was the response of government to that performance? An essential aspect of this will be an assessment of the performance of the BTC and the BRB, in order to determine how many of the railway's problems were avoidable and

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[2] Terry Gourvish, *British Railways 1948-73, a Business History* (Cambridge, 1986), p. 568.
[3] Peter Hennessy, *Having it So Good: Britain in the Fifties* (London, 2007), p. 122.
[4] Comprising: the London and North Eastern Railway, the London Midland and Scottish Railway, the Southern Railway and the Great Western Railway.
[5] The British Transport Commission was the governing board of the railways from 1948 to 1962, after which it was replaced by the British Railways Board.

which were self-inflicted. A further key question will be considered – why the Conservative government considered it necessary to change the institutional arrangements embodied in the 1947 Transport Act. Other relevant issues surround the BTC's Modernisation Plan of 1955,[6] and how this contributed to the need to implement far-reaching change to the operation and management of the railway as prescribed in the Beeching Report.[7] Full explanation of these issues requires a further element: consideration of the wider economic, social and cultural contexts, in order to ascertain how far they were significant for the attempts by the BTC to modernise and restructure the railways.

II

In the historical literature there is effectively only one work which has fully charted the railways during the period covered in this thesis: for all the others concentrate on particular aspects, but not the whole issue. Such a wide-ranging investigation is necessary, for many of the specific elements are interlinked and interdependent.[8] This single exception is Terry Gourvish's extensive and highly detailed account of the organisation and management of British Railways between 1948 and 1973. Gourvish had almost unlimited access to the records of the BRB, although he found that some important classes of records were reported missing and presumably destroyed, including files on the Railway Executive (RE)[9] and the Central Secretariat's files on rail closures. Gourvish was unable to redress that

[6] *The Modernisation and Re-equipment of British Railways,* BTC, 1955.
[7] *The Reshaping of British Railways,* BRB, 1963.
[8] Terry Gourvish, 'Writing the History of British Railways', in A. K. Evans and J. V. Gough (eds.), *The impact of the Railway on Society in Britain* (Aldershot, 2003), pp. 269-278.
[9] The RE was the executive arm of the BTC created under the Transport Act of 1947.

deficiency from other sources because under the 'thirty year rule' for government records, he was denied access to the majority of the relevant Ministry of Transport files, now held in the National Archives at Kew.[10] Many were only opened to the public between 1991 and 2002, and these files have been exploited here. Gourvish emphasised that his book was commissioned by British Railways which exposed him to the culture of the railways for five years, and he accepted that it may have eroded his independence – 'but only a little'.[11] The result is indeed that events, personalities and outcomes are considered very much from the perspective of railway management, producing some problems of balance which might have been corrected from a wider evidence base including, particularly, the MOT files. An example is his interpretation of government responses to recurrent financial concerns: 'not only did the government call the financial tune but it also re-wrote the score on a number of occasions'.[12] This verdict gives inadequate weight to the responsibility of railway management in creating and dealing with the financial position.

A second difficulty with *British Railways* is a certain lack of emphasis on economic and social contingencies – on the extent to which such factors influenced government policy towards the railways, and presented a challenge to railway management. Gourvish writes that a distinguishing feature of the railway industry is the long-standing influence of government in key areas of decision making. Perhaps to reinforce his view of the 'capricious and intrusive' nature of government intervention, he made the cynical observation that 'an organisational change, accompanied by suitable

[10] Gourvish, *British Railways,* p. xx.
[11] Ibid., p. xxii.
[12] Ibid., p. 574.

publicity is tangible, if ephemeral proof that a government is doing something about the railways'.[13] However, this perspective fails to give sufficient attention to the fact that state-industry relations are invariably multi-faceted: policies were driven by political and economic expediency, the need for regulation in the public interest, and a constructive response to perceived managerial weaknesses.

British Railways remains an impressive and valuable work of historical scholarship, and is certainly more definite than other studies of the subject. However, it is over twenty years since its publication and more recent studies of politics and government, as well as the railways and other nationalised industries, provide opportunities for fresh assessments.

Within the general literature for the period, there exists a variety of interpretations on the causes and attempted remedies for the railways' problems, some so schematic as to indicate a need for further and closer study. Examples include Barnett's view that any shortcomings in the creation and operation of the nationalised industries were a consequence of the Labour movement's pre-occupation with public ownership in terms of moral rather than practical aims.[14] Morgan's argument that for those industries planned for nationalisation there was to some degree a clear operative model[15] will also be questioned. Lamb is highly critical of the Beeching Report, inaccurately arguing that it was considered purely in financial terms and ignored the social consequences of its recommendations.[16]

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[13] Ibid., p. 570.
[14] Corelli Barnett, *The Lost Victory. British Dreams, British Realities* (London, 1995), p. 212.
[15] Morgan, *Labour in Power*, p. 96.
[16] Richard Lamb, *The Macmillan Years 1957-63* (London, 1995), pp. 435-442.

In the specialist literature, explanations for and assessments of nationalisation – the direct ownership of industrial and commercial enterprises – have long been controversial matters. Most of these historians tend to focus on the wider socio-political context, or concentrate on general economic arguments rather than on consideration of the specific effects for the railways. In particular, works by Durbin,[17] Tomlinson,[18] and Brooke[19] provide the political context and examine the development of the thinking behind nationalisation, yet in common with Thorpe (who restates the traditional argument for efficiency),[20] they do not investigate the quality and validity of the data underpinning the implementation of nationalisation. More relevant is Chick's archive-based study of the micro-economic effects of the planning decisions made by Attlee's governments between 1945 and 1951.[21] However, its specific focus has limited application, for the railways are considered only as part of a wider analytical issue. This is also true of Cairncross, even though his detailed analysis of the 1945-51 period offers some revealing conclusions regarding the success of public ownership as an instrument of economic policy.[22] Singleton's challenging view that even a

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[17] Elizabeth Durbin, *New Jerusalem: The Labour Party and the Economics of Democratic Socialism* (London, 1985).

[18] Jim Tomlinson, 'Planning, debate and policy in the 1940s', *Twentieth Century British History,* 3 (1992), pp. 152-174; idem, 'Mr. Attlee's supply-side Socialism', *Economic History Review,* 46 (1993), pp. 1-22; idem, *Democratic Socialism and Economic Policy: The Attlee Years 1945-51* (Cambridge, 1997).

[19] Stephen Brooke, 'Problems of socialist planning: Evan Durbin and the Labour Government of 1945', *Historical Journal,* 34 (1991), p. 11, 'The Labour party and the 1945 general election', *Contemporary Record,* 9 (1995), pp. 1-21, *Labour's War* (Oxford, 1997), p. 80-81.

[20] Andrew Thorpe, *A History of the British Labour Party* (London, 2001).

[21] Martin Chick, *Industrial Policy in Britain 1945-51* (Cambridge, 1998).

[22] Alec Cairncross, *Years of Recovery: British Economic Policy 1945-51* (Cambridge, 1992), p. 464.

Conservative government would have had to restructure the transport sector will certainly need examination.[23]

Hannah's work on the electricity industry allows comparison with the experiences of a different nationalised industry after public ownership. Although this is another sponsored history, and a narrative, it nevertheless reveals that the electricity industry, in common with the railways faced challenging issues: labour restrictive practices, productivity, and later, decentralisation.[24]

Relevant to a full understanding of British Railways is the work by Philip Bagwell on the National Union of Railwaymen (NUR).[25] This is another commissioned study which examines the historical development of the role and influence of one of the main railway unions, with interpretations invariably supportive of its actions. Understanding of the problems encountered by railway management is enhanced through its explanation of two key elements: the NUR's unwavering support for nationalisation despite its disappointment with lack of representation on the boards of the public corporations, and the internecine actions of the three main railway unions: the Associated Society of Locomotive Engineers and Firemen (ASLEF), the Transport and Salaried Staffs' Association (TSSA), as well as the NUR.

A further major contribution is the massive and authoritative work by Sir Norman Chester,[26] who was not just an academic expert on administration, but had wartime experience in the civil service. This

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[23] John Singleton, 'Labour, the Conservatives and nationalisation' in Robert Millward and John Singleton (eds.), *The Political Economy of Nationalisation in Britain 1920-50* (Cambridge, 1995), pp. 13-33.

[24] Leslie Hannah, *Engineers, Managers and Politicians: The First Fifteen Years of Nationalised Electricity Supply in Britain* (London, 1982).

[25] Philip Bagwell, *The Railwaymen* (London, 1963).

[26] Sir Norman Chester, *The Nationalisation of British Industry 1945-51* (London, 1975).

influential study identifies a number of conclusions relevant to this thesis. In outlining the implementation of the Attlee government's post-1945 programme, Chester concludes that the introduction of so much legislation placed a heavy burden on civil servants, which inevitably led to unsatisfactory drafting of bills. However, perhaps his most revealing conclusion is that creation of the nationalised industries demanded the establishment of a set of attitudes and conventions for what was basically a new form of public administration.[27]

Much of the specialist literature on nationalisation is weak in its analysis of the railways, or else has a propensity to categorise the industry with coal as experiencing common problems requiring similar solutions. For example Foreman-Peck and Millward conclude that 'coal and [the] railways needed a national rescue act', an interpretation that underestimates the strength of the Big Four in 1948.[28] Furthermore, as Tookey explains,[29] owners of the coal mines supported nationalisation as a means of achieving some financial recompense for their assets, which comprised a scattered assortment of small and technically backward units – a great contrast to the management and organisation of the railways. Rogow's early analysis[30] identifies the problems associated with power contests between government and industry, an issue which in this thesis is re-examined with the benefit of access to government and railway archives. Loft contributed the important point that the accelerated deterioration of the railway's financial position after

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[27] Ibid., p. 387.
[28] James Foreman-Peck and Robert Millward, *Public and Private Ownership of British industry 1820-1990* (Oxford, 1994), p. 291.
[29] Mark Tookey, 'Three's a crowd? Government, owners and workers during the nationalisation of the British coalmining industry 1945-47' *Twentieth Century British History,* 12 (2001), pp. 486-510.
[30] Arnold A. Rogow, *The Labour Government and British Industry 1945-51* (Oxford, 1955).

nationalisation was due to the burden of debt created by the need to fund interest payments on British Transport Stock, paid in compensation to shareholders of the railway companies. This is however by no means a full explanation.[31]

There is also a considerable secondary literature specifically on the railways, not just historical but also including contributions from economics, politics, business, engineering and geography. A complication here is the variety of approaches and the divergent analytical purposes. Difficulties also exist with the works of specialist railway historians both academic and amateur. The majority of amateur works concentrate on description and analysis of technical developments, rather than on the structure of state-business relationships. Some academic historians have been critical of such sources; but Strangleman adopts a positive perspective, arguing that they can provide valuable insight where other records are open to question or incomplete.[32]

Among the works by former railway managers, the most useful are those by Michael Bonavia, who joined the LNER in 1945 and eventually became a chief officer, and later worked in the BTC, the RE, and the BRB. Although his three works provide a valuable source of reference on organisational changes, they do not always give sufficient attention to the wider influences which prompted them.[33] Gerard Fiennes' autobiographical account bemoans missed opportunities, which reinforces the case for the

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[31] Charles Loft, 'Re-appraisal and reshaping, government and the railway problem 1951-64', *Contemporary British History*, 15 (2001), pp. 486-510.

[32] Tim Strangleman, 'Constructing the past, railway history from below or a study in nostalgia', *Journal of Transport History*, 23 (2002), pp. 147-158.

[33] Michael R. Bonavia, *The Organisation of British Railways* (London, 1971); *The Birth of British Railways* (London, 1979); *British Rail the First 25 Years* (London, 1981).

consideration of a lack of strategic dynamism of management, undertaken in this thesis.[34] Richard Hardy also began his career with the LNER and thereafter became District Traction Engineer and Divisional Manager at BR Headquarters. His book is a helpful analysis of the ideological and technical changes associated with the Beeching era, though in places it appears overly supportive of Beeching himself. [35]

Yet despite the extent of the literature, gaps remain, Millward is critical of its scope declaring 'the literature on the causes nationalisation is a mixed bag, rather limited in coverage and depth and taking in students of politics as well as political and economic historians' and is 'weak in accounting for the incidence of public ownership and the institutional arrangements'.[36] Tomlinson noted that 'on the general character of British post-war policy, it should be emphasised that we are only just beginning to see archivally based work on this topic for the 1950s and 1960s, and much remains unexplored'.[37] This thesis addresses some of the large gaps in our understanding of the operation and political economy of the nationalised industries, particularly the railways, during the 1950s and 1960s.

III

In order to provide a fuller and better explanation of the performance of the BTC and the development of government – railway relations, a series of subordinate and more specific questions will be addressed. An appropriate

[34] Gerard Fiennes, *I Tried to Run a Railway* (London, 1967).
[35] Richard Hardy, *Beeching Champion of the Railway* (Shepperton, 1989).
[36] Robert Millward, 'The 1940s nationalisations in Britain: means to an end or means of production'. *Economic History Review,* 50 (1997), p. 211.
[37] Jim Tomlinson, 'The decline of the Empire and economic "decline" of Britain', *Twentieth Century British History,* 14 (2003), pp. 207.

starting point is to question the rationale for public ownership, and to investigate the factors responsible for shaping the BTC. This will be done through assessing the accuracy and validity of Labour's arguments justifying railway nationalisation – notably the 1945 report by the National Executive Committee of the Labour party: *Post War Organisation of British Transport.* Linked to this will be an investigation into the managerial and financial position of the Big Four railway companies in 1948, in order to test the view propounded by the Labour party that post-war railway reconstruction could only be achieved through nationalisation. After establishing this background, the management performance of the BTC will be evaluated and a series of associated questions considered: what was the impact of 'nostalgia', or inherited attitudes on its attempts to modernise? How valid was the BTC's justification for the demise of the RE? Why was the opportunity to modernise the railways through a progressive traction policy not taken? And what impact did contextual conditions play in the railway's difficulties?

The perceived need by 1960 for additional legislation to re-structure the railways raises further issues: why was it considered necessary to use evidence from the Special Advisory Group (SAG)[38]and the 1960 Select Committee to justify change on the railways? Why did the planned re-conceptualisation of the character of the railways under Beeching prove to be so controversial? Surrounding these questions will be an assessment of the proposition that cultural change proved to be a fundamental factor in the development and management of the railway industry.

[38] Known as the SAG or 'Stedford Group' after the name of its chairman, Sir Ivan Stedford.

A further issue – the concept of modernisation – recurs repeatedly in this thesis, and attention will be given to determining why it was considered so necessary to the performance and financial position of BR. In addition, an analysis will be made into the activities of railway management, in an attempt to ascertain the extent to which its own actions rather than other contextual contingencies affected the progress of modernisation of the railway system.

IV

This thesis is divided into six chapters; the first will examine key aspects of the nationalisation of the railways in the late 1940s. It will question whether the Attlee government's rationale for public ownership of the railways was underpinned by adequate research, and assess the consequences for the railways of the implementation of the Morrisonian model of the public corporation. A corollary will be to consider not wholly hypothetical questions: whether the reconstruction and modernisation of the railways could have been better undertaken by the existing four main-line railway companies, and whether they possessed the necessary management skills and financial capability to undertake such a wide-ranging challenge. In addition, the first chapter will ascertain why the Transport Act of 1947 produced the institutional arrangements that it did.

The second chapter will concentrate on the operation of the British Transport Commission during the first four years of its operation, and assess the reasons for its poor performance. This requires an investigation into the influence of a new and untried system of management, the effects of

external constraining factors, and the impact of a nostalgic attitude of the workforce upon the management and modernisation of the railway industry.

Chronologically, the third chapter deals with the first four years of the Conservative government of 1951-54. It will initially seek to establish the extent to which national economic issues, including the relative decline of the British economy, affected the management of the railways. A further element – the nature of state-industry relations and the precise boundaries between them – will be analysed in order to provide a base for critical examination of the reasoning behind the Transport Act of 1953. One particular consequence of that legislation needs to be explained – the abolition of the Railway Executive. Finally, in order to appreciate fully the competitive position of the railways, an assessment will be made of the impact of two other issues influencing financial performance: road transport and labour relations.

An investigation is made in the fourth chapter into the quality of strategic planning by railway management in the development and implementation of their Modernisation Plan, published at the start of 1955. It will seek to determine whether the BTC was capable of resolving the management problems which it faced through a critical examination of significant issues. First was traction policy, a subject of great interest to the railway enthusiast but almost totally neglected by the academic historian. Second were issues pertaining to labour and wages, and third the continuing concerns with the financial position of the railways.

In chapter five, there is an assessment of the Modernisation Plan, in order to investigate the reasoning in the Ministry of Transport that this was a

failure, and to undertake a critical analysis of the re-appraisal exercise carried out by the BTC. Also considered is the reasoning behind a series of investigations into the operation of the railways, all concerned to resolve their continuing and underlying financial and operational problems.

The sixth and final chapter focuses on the linkages between the conclusions of the various investigations and how these led to policies contained in the 1961 White Paper, the Transport Act of 1962 and the appointment of Richard Beeching. An assessment is made of Beeching's plans for the re-conceptualisation of the railways based on his report, *The Reshaping of British Railways*, published in 1963. In considering those highly contentious proposals, the role of the MOT will be assessed with particular attention on the influence of contextual and other cultural changes on the decisions made by the BTC and BRB on labour issues, line and works closures, and operating policies.

V

The evidence for this study derives from a wide range of primary and secondary sources, but particularly relevant are the government records in the National Archives at Kew. These include extensive documentation from the 'Big Four' railway companies, from the Cabinet, Treasury and Ministry of Transport papers, as well as those from the BTC and the BRB. Of particular importance to the first chapter are the records of the Cabinet Committee on the Socialisation of Industry (CCSI), the body responsible for the nationalisation of the railway industry. However, minutes from two of the meetings are missing, requiring reference to other MOT papers. Owing to

the sheer pressure of other government and parliamentary work the Socialisation Committee worked without substantial input from the full Cabinet and the Prime Minister.

Ministry of Transport documents offer a particularly valuable source of evidence by revealing the progress and development of state-business relations in the railway industry. Together with BTC minutes, relevant government bills and white papers, these MOT records provide a wide evidence base for assessment of the nationalisation process and the operation of the railways. Further sources are the numerous publications issued by the BTC and its successor the BRB. In particular, the BTC and BRB annual reports contain highly detailed statistics on all aspects of operation and financial performance, as well as wide-ranging commentary on the activities of British Railways. Despite the immense value of such sources, Booth and Glynn have argued that this evidence must not be accepted uncritically as these records tend to exaggerate the importance of internal government and administrative discussion for decision making and related issues.[39] They are essentially administrative working papers, yet also contain much political rhetoric. Despite such drawbacks the availability of this archive material has allowed an analysis of sensitive and confidential information which was previously unavailable, and which is significant for deliberations in the MOT and the Cabinet regarding the alternatives for the railways. When used in conjunction with other previously unpublished information, such as the findings of the SAG, a more balanced

[39] Booth and Glynn, 'Public records and recent British historiography', *Economic History Review,* 32 (1979), p. 313.

understanding is made of the decision-making process and policies directed towards the nationalised railway industry.

The operation, management and regulation of Britain's railways were controversial issues during the post-war years and have remained so even today. Yet during that history, arguably the most enduring controversy surrounded the Beeching era. This attempt to resolve the railway's problems through major change cannot be considered in isolation, for its genesis lay in the effects of nationalisation, and its evolution influenced by economic, social, cultural and political change. In effect, another way of describing this thesis is as an explanation of the Beeching Report.

This will be achieved through an approach which will seek to ask fresh questions, and to advance new interpretations, while accepting Dow's comment that 'the answers on any important issues do not become clearer with the mere passage of time, and remains to some extent a matter of opinion'.[40]

[40] J. C. R. Dow, *Management of the British Economy 1945-60* (Cambridge, 1965), p. xvii.

CHAPTER 1
NATIONALISATION

It is unthinkable that there should be a reversion to the position of 1939 with the measure of foolish competition which then existed.

(Labour party National Executive Committee report, *Post War Organisation of British Transport* (London, 1945), p. 3.)

The creation of the nationalised transport industry under the 1947 Transport Act established one of the biggest commercial organisations in the history of British commerce and industry – the British Transport Commission. There had been resistance to the formation of such a large and geographically-spread business, with its remit to co-ordinate all sectors of transport. Various commercial organisations were critical, but opposition was most powerfully expressed by the railway companies, which proposed and widely publicised their own alternatives to railway nationalisation. Yet the companies were effectively ignored, as the Labour government proceeded with its plans for public ownership without undertaking widespread consultation, or even sufficient enquiry and research into the industry's condition and prospects. Subsequently, the alternatives to nationalisation of the railways, and the concerns which prompted these criticisms and proposals have been submerged by the passage of time, and have received scant attention from historians. Yet without critical investigation of the controversy over the future of railways, it is difficult to obtain a full understanding of the consequent history and development of British Railways.

This chapter will consider three questions. The first is the quality of the Labour government's understanding of the issues involved in railway

nationalisation. Second is an investigation of the Big Four railway companies' proposals for retaining the existing railway structure, and an assessment of whether these might have been more effective than nationalisation in managing the processes of reconstruction and modernisation. Then, third, the institutional arrangements established by Labour's Cabinet Committee on the Socialisation of Industry – the Morrisonian public corporation model – will be considered, more particularly by asking whether this structure led to serious problems in management and operation of the railways.

I

If the structure and performance of the nationalised railway industry is to be fully understood, the extent and validity of the Labour party's and the Attlee government's understanding of the industry and its requirements need to be assessed. The 1945 government's industrial strategy was based on the belief that after a long and destructive war, the railways, in common with the whole national economy, required reconstruction of physical assets and managerial structures to improve productivity. It was further believed that only through public ownership could these aims be achieved. While the need for reconstruction was widely accepted, that nationalisation was the only way in which it could be achieved, is debateable.

As studies of wartime popular political attitudes and the 1945 General Election have shown, nationalisation did not have a large public appeal and was not a leading element in the Labour party's election victory.[1] The new government's determination to proceed with nationalisation derived from

[1] See e.g. Steven Fielding, 'What did the people want? The meaning of the 1945 general election', *Historical Journal*, 35 (1992), pp. 623-39, and Stephen Brooke, 'The Labour party and the 1945 General Election', *Contemporary Record*, 9 (1995), pp. 1-21.

practical and philosophical issues, rather than from well-argued and effectively-researched economic considerations. This is understandable given the Labour party's commitment to public ownership, which had been enshrined in Clause Four of its constitution since 1918 and which underpinned the Labour party's relationship with the trade union movement. According to Singleton, 'the fact that it [Clause Four] did not specify a timetable of action or explain what was meant by "popular administration and control" was irrelevant': its 'continuance as the sole statement of principle in Labour's constitution holds Labour true to its past, true to what its originators wanted it to be: for labour and against capital'.[2] It can be argued that this ambiguity was typical of Labour party industrial policy from at least the 1920s, for according to Thorpe 'for all its innovations it [the party] was still keener on panaceas rather than policies when it came to industry', and 'it would only be a shade too unkind to say that only the buzzword changed, as "planning" replaced "rationalisation" as a widely accepted but little worked out or understood policy for dealing with industry'.[3] Booth concluded that during the 1930s the decisions that mattered were not taken, and that 'nationalisation remained the same utopian political rallying cry devoid of economic content or analysis'.[4] Furthermore, Brooke concludes 'it was clear in 1944 that there were burgeoning differences between those who saw nationalisation as an article of faith and those who perceived it simply as a tool of economic policy', and 'Labour's victory in 1945 was one of triumph,

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[2] John Singleton, 'Labour the Conservatives and nationalisation', in Millward and Singleton (eds.), *The Political Economy of Nationalisation in Britain 1920-50* (Cambridge, 1995), p. 15.

[3] Andrew Thorpe, 'The industrial meaning of "gradualism": The Labour party and industry 1918-1931', *Journal of British Studies,* 35 (1996), p. 113.

[4] Alan Booth, 'How long are light years in British politics? The Labour party's economic ideas in the 1930s', *Twentieth Century British History,* 7 (1996), p. 22.

but confusions, and differences over the ends and means of socialism lay just beneath the surface'.[5]

Debate surrounding this long contentious issue heightened with the wider acceptance of Keynesian macro-economics. The result, according to Brooke, was that 'innovations in the sphere of financial policy had weakened the case for unlimited nationalisation as the basis of a socialist economy', and that 'control of the economy and full employment could be achieved through subtler means'.[6] Francis agrees, considering that 'Labour's nationalisation programme was essentially a pre-Keynesian strategy', something clearly understood by those revisionists such as Durbin, Gaitskell, Crossman and Jenkins, who were 'reluctant to renounce public ownership. They were aware of its limitations as an instrument of economic policy but they felt it still had a role to play in Labour's egalitarian objectives'. [7]

However, even if some members of the Labour party leadership accepted the significance of these new developments in macro-economics, they became hamstrung by the commitment to specific nationalisation measures imposed on them by the 'Mikardo resolution' at the delayed Labour party conference in December 1944. The impact of all these factors led Tomlinson to conclude that 'the policy objects of the 1945 Labour government were, perhaps like all governments, complex and potentially contradictory'.[8]

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[5] Stephen Brooke, 'Revisionists and fundamentalists: The Labour party and economic policy during the second world war', *Historical Journal,* 32 (1989), p. 175.
[6] Ibid., p. 158.
[7] Martin Francis, *Ideas and Policies under Labour 1945-51*, (Manchester, 1997), p. 91.
[8] Jim Tomlinson, *Democratic Socialism and Economic Policy; the Attlee years 1945-51* (Cambridge, 1997), p. 263.

Arguably, the debate surrounding railway nationalisation had an even longer and equally controversial history, for as Gourvish states 'the issue of public ownership versus private enterprise for the railways was as old as the industry itself'.[9] Furthermore, 'nationalisation not only of the railways but also of other sections of inland transport was never far below the surface of political debate in the inter-war years'.[10] However, Crompton's assertions that 'before the end of the thirties Morrison and his co-thinkers had made out a strong case for nationalisation as good business for the nation', and further that 'they had done so through a coherent analysis of the shortcomings of the inter-war transport systems',[11] are debatable. As will be argued later, Morrison's plans were strong on criticism but less so on analysis and understanding of the railways as a commercial operation. The *Railway Gazette* declared in 1945 that 'very few in any of the political parties have mastered the technical facts upon which so important a decision should be made'.[12]

If there was debate on aspects of nationalisation within the intellectual element of the Labour party, this did not apply to the railway unions where, amongst the leadership at least, public ownership was an act of faith. Since 1894, well before the acceptance of 'Clause Four', the Amalgamated Society of Railway Servants, and its successor the National Union of Railwaymen had advocated railway nationalisation. In addition, this view was, at the very least, reinforced through the union's provision of substantial financial support to the Labour party, and direct sponsorship of a substantial number of

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[9] Gourvish, *British Railways*, p. 13.
[10] Ibid., p. 15.
[11] Gerald Crompton, 'The railway companies 1920-50', in Millward and Singleton, *Political Economy of Nationalisation in Britain*, p. 140.
[12] *Railway Gazette*, 8 June 1945, p. 558.

members of parliament. After the 1945 General Election, the significance of this increased, as the new Parliament contained a total of 32 MPs sponsored by the railway unions: 15 by the NUR, 15 by the Railway Clerks' Association (RCA)[13] and 2 from the Associated Society of Locomotive Engineers and Firemen (ASLEF). Altogether some 120 Labour MPs were sponsored by trade unions, which expected these MPs to support nationalisation measures. For the first time the so-called 'railway interest' in Parliament comprised more railway employees than railway company directors (two MPs). This radical change transformed the railway interest from strong support for the private railway companies, to strong advocacy of nationalisation.

In addition, many more Labour MPs had accepted public ownership of the means of production and distribution as integral to their larger aim of achieving socialism. More immediately, many believed that nationalisation was vital for post-war reconstruction: only by taking the 'commanding heights' of the economy into public ownership could the direct controls of the wartime economy be converted into successful planning of the peacetime economy. However, as Foreman-Peck and Millward point out, 'economic planning was to be a means of achieving both justice and efficiency. How the nationalised industries were to fit into this was perhaps never spelt out'.[14] This pursuit of justice in the work-place proved to have important repercussions, for according to Francis the rhetoric supporting it:

ensured that the motive for nationalisation remained essentially negative, and virtually guaranteed that enthusiasm for public ownership would be dissipated once the industries more directly associated with the alleged anti-social record (notably

[13] Now TSSA – the Transport Salaried Staffs' Association.
[14] Foreman-Peck and Millward, *Public and Private Ownership of British industry*, p. 293.

coal and the railways) passed into public hands, and the unemployment and poverty that had resulted became an increasingly distant memory'.[15]

While this conclusion is certainly true for the coal industry, it is less sustainable for the railways where (as will be seen later), the companies had, from safety needs, imposed strong discipline, but allied to a definite paternalistic approach.

Nationalisation, it was believed, would be more 'efficient' than private enterprise; more particularly, public ownership of the railways would ensure a coherent national organisation of transport. But this was very largely a matter of assumption and assertion. As the historical literature confirms, little evidence or justification was made available to support the case for greater efficiency; nor was there much investigation of the most effective form of business organisation and management structure. As Kenneth Morgan noted, 'the specifics of Labour's proposed public ownership schemes remained vague in the extreme, in almost every aspect – organizational structure, finance, compensation, pricing policy, and relations with employees and consumers'.[16] Chester adds weight to this view with:

Some of the subsequent worries of the Labour government undoubtedly sprang from a too simple belief that administrative changes producing very large units quickly and readily brought economies which would be reflected in lower prices and improved services. None of the reports or the general literature had dealt with the problems during the process of reorganisation or with the management of very large-scale units. For that matter, none had recommended management units on a national scale.[17]

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[15] Francis, *Ideas and Policies*, p. 91.
[16] Morgan, *Labour in Power*, p. 97.
[17] Chester, *Nationalisation of British Industry*, p. 20.

In its election manifesto, *Let Us Face the Future*, the Labour party was unequivocal about the post-war challenges facing the transport industries, details of which were contained in two statements; 'co-ordination of transport services by rail, road, air and canal cannot be achieved without unification. And unification without public ownership means a steady struggle with sectional interests or the enthronement of a private monopoly, which would be a menace to the rest of industry'.[18] Further explanation of these key issues was contained in the report from the party's National Executive Committee (NEC), *Post-War Organisation of British Transport* – a highly significant document rarely referred to in the historical literature. Yet even this report relied very largely upon assertion, and failed to offer adequate justification on why the nationalisation of railways 'would make for greater efficiency, and co-ordination with other forms of transport would inevitably result'.[19] A central proposal, the establishment of a National Transport Authority – clearly the basis for the British Transport Commission – was derived from Morrison's pre-war proposals,[20] without serious consideration of the changed circumstances resulting from the impact of war. There was no explanation for its contention that such an Authority would make fears of bureaucratic control and interference groundless – accusations which were to be made against the BTC. Some of the report's arguments were contradictory. On the one hand, it declared that 'it is unthinkable that there should be a reversion to the position of 1939 and the measure of foolish

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[18] *Let us Face the Future: A Declaration of Labour Policy for the Consideration of the Nation* (1945), p. 6.

[19] The National Executive Committee of the Labour party, *Post-War Organisation of British Transport* (London, 1945), p. 8.

[20] Herbert Morrison, *Socialism and Transport: The Organisation of the Socialised Industries with Particular Reference to the London Passenger Transport Bill* (London, 1933).

competition which then existed'; yet on the other hand it was stated that 'as the four railway companies own 96% of the track and 95% of the invested capital, competition between the railways has been reduced to small proportions'.[21] The report used inaccurate information when seeking to justify public ownership on financial grounds. It referred to the operation of the Railway Finance Corporation as an example of government financial support of the Big Four. Yet although this body was promoted by the government – as a scheme to help counteract regional unemployment – it was wholly funded by the railway companies (if with government loan guarantees).[22] The report also offered as a justification for nationalisation, the perceived success of the London Passenger Transport Board (LPTB), conceived by Morrison under the 1929-31 Labour government, but implemented from 1933 by the National Government. Yet comparison between the LPTB and a nationalised railway system does not bear scrutiny. London and its outlying suburban areas represented a coherent and relatively small geographical entity, which was hardly comparable to a wide-ranging system serving the whole country. The LPTB was also highly specialised, concerned only with passenger transport, a high proportion of which – commuters – provided a relatively stable customer base. It had no responsibility for freight, which in 1945 was far more important on Britain's railways than passenger traffic, both in terms of number of trains operated and the revenue generated.

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[21] *Post-War Organisation of British Transport*, pp. 3-6.

[22] The Railway Finance Corporation was established under the 1935 Railway Agreement Act. It allowed borrowing of £27 million by the Big Four through the issue of 2½% debenture stock guaranteed by the Treasury, to be repaid in 1951-2. All costs were met by the railway companies: see RAIL1007/628.

Much of the argument of *Post-War Organisation of British Transport* depended on claims about the poor performance of the existing railway system, with its 'foolish competition' between private companies. Yet the railway companies had provided an effective, in the circumstances even outstanding, service during the war. Although the NEC report accepted this achievement, it emphasised the importance of the administrative arrangements, and no credit was given to the railway companies for how this success was achieved. Rather, the emphasis was upon the claim that the war-time record could not have been met so successfully with the pre-war organisation.[23] Yet in reality it was the organisation of these companies which ensured the wartime operational success, for the Ministry of War Transport passed responsibility for fulfilling what it required from the railways to the Railway Executive Committee (REC). In effect this was a co-ordinating body, comprised of the railway companies' senior officials, usually the general managers. It was essentially a central secretariat for processing and publicising instructions and disseminating information, in order to ensure effective co-operation between the companies. Together, the Ministry of War Transport and the REC generated copious and detailed instructions for a staggering range of eventualities.[24] Nevertheless, it was the Big Four companies which actually continued to organise almost every aspect of direct railway operations. In May 1940, the Minister of Transport, Sir John Reith, had directed the main-line companies to 'carry on as usual', and despite the great wartime disruptions and dislocations, carry on they did.[25] Although overall REC control was theoretically extended from late 1940,

[23] *Post-War Organisation of British Transport*, p. 8.
[24] The directives for 1939-41 are in RAIL475/821.
[25] Reith to the main-line railway companies, 8 May 1940, RAIL424/23.

when it came to running the trains little changed. Or to put it another way, state control contributed little to the direct working of the railways, because their successful operation was a function of efficient co-ordination between the four established companies. Yet this success probably confirmed to Labour politicians their belief that a fully integrated transport system required removal of the railway companies and nationalisation – arguably, the reverse of the appropriate lesson to be drawn from wartime experience.

Throughout the course of the war political interest in the transport issue continued, essentially promoted by the Railway Control Agreement of 1939 (this will be considered later). Prompted by Labour calls for immediate nationalisation of the railways, Reith (a former chairman of the BBC), who was familiar with the concept of the public corporation, commissioned a report on transport. This was produced by Sir Albert Robinson [26] and Sir William Coates [27] in October 1940, and essentially focused on planning the post-war position. Their report – 'The Transport Problem in Great Britain'[28] – recommended the formation of a national transport monopoly embracing road, rail, canal, and air transport. According to Gourvish, the replacement of Reith as Minister of Transport by Lt-Col. J. Moore-Brabazon (a Conservative MP), resulted in the responsible minister being more hostile to the Coates-Robinson document and 'in December 1940, having asked for a critical brief from his civil servants, he declared that he was frankly frightened by the size of the proposed Corporation' with the result that 'planning then came to a halt'.[29]

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[26] Deputy-Secretary to the Minister of Transport.
[27] Previously a civil servant and then a director of ICI.
[28] Ministry of War Transport correspondence and papers, MT64/11.
[29] Gourvish, *British Railways,* p. 17.

The appointment of a businessman, Lord Leathers as Minister of War Transport in May 1941 resulted in little change until 1942 when, after repeated calls for nationalisation from the Labour party, the issue re-surfaced and Coates was commissioned to produce a second report, delivered in July 1942.[30] This offered similar proposals to the earlier attempt and proved equally controversial, with the result that 'the report was then shelved pending further investigation, including an inquiry into the views of the main-line railway companies'.[31]

Even so, the influence of the Coates Report was to prove enduringly persuasive in the Ministry of War Transport. There, the deliberations indicate that although the political and administrative difficulties were to some extent appreciated, the problems of commercial management of such a large and all embracing organisation were not. Evidence of this can be found in the wartime proposals of two civil servants in the Ministry of War Transport, who would later be important in the nationalisation process as officials assisting the Cabinet Committee on the Socialisation of Industry (CCSI). In 1943 Sir Cyril Hurcomb (the Ministry's Permanent Secretary), and S. S. Wilson (who had been private secretary to Morrison while Minister of Transport 1929-31) were charged with developing plans for greater transport co-ordination. Despite Gourvish concluding that Hurcomb 'had great experience of transport planning',[32] events were later to prove that he lacked any commercial understanding. Perhaps of greater importance was that 'he had been the Permanent Secretary to the Ministry of Transport from 1927 to 1937 and had established a close rapport with Morrison during his period of

[30] Secret Report on the Transport Problems of Great Britain, July 1942, MT64/9.
[31] Gourvish, *British Railways*, p. 19.
[32] Ibid., p. 18.

office'.[33] It is likely that this was influential in his appointment as the first Chairman of the BTC.

The results of Hurcomb's and Wilson's early deliberations suggest that despite substantial experience in the MOT, their understanding of the difficulties of managing a national transport industry was superficial and limited. Chester concluded that the TUC reports on nationalisation embodied a limited perspective, on the basis that 'their thinking did not seem to go much beyond the idea of a national board', while 'Whitehall was equally unprepared'. Chester also contends that:

> whereas a great deal of general consideration was given to various aspects of the membership of the Boards, the structure and size of the management units were settled according to the circumstances of each case. This approach was helped by the comforting belief that most of the organisational aspects need not be specified in the legislation but could be worked out subsequently.[34]

As events later showed, this approach, for transport at least, was seriously flawed and proved to be as optimistic as the thinking of the MOT in a secret report from Hurcomb, which stated:

> A vast combination of this kind [the formation of a public utility company as a transport monopoly] solves the problems of co-ordination in a complete and drastic fashion, would embrace one common interest under one central supervisory control, the existing railways which would be unified, the canals which would be grouped or be unified and long distance road haulage of goods and passengers.[35]

Hurcomb accepted that this superficial conclusion essentially restated the findings of the Coates Report,[36] but it was typical of the times, for as Millward and Singleton explain 'there was a growing conviction in informed

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[33] Donoughue and Jones, *Herbert Morrison: Portrait of a Politician* (London, 2001), p. 132.
[34] Chester, *Nationalisation of British industry*, p. 388.
[35] Secret Report for co-ordination of inland transport: Proposals for a public utility corporation, July 1943, MT74/1.
[36] Ibid., July 1943.

circles between 1920 and 1950 that giant enterprises were inherently more efficient than smaller firms. The superiority of large planned enterprises was in some degree an article of faith rather than a scientifically proven fact'. [37]

The success of the wartime REC added to the optimism of Hurcomb and Wilson:

> This [the railways] is at once the largest and easiest problem. What is, I think, required is the creation of a statutory body on the basis of a glorified Railway Executive Committee'. Apart from the question of compensation, the main problem is which of the local and light railways should be within the ambit of the Railway Board. [38]

Wilson and Hurcomb did accept that a decision should be made on the structure of the new transport body. Three options were considered: first, the existing main-line companies; second, regional bodies to oversee all forms of transport in a particular area; and third, functional, according to type of undertaking.[39] Gourvish notes that the functional mode was chosen because 'after all the major argument in favour of a functional system was its ease of introduction, an important consideration given the intention to act quickly'.[40] The impact of this was considerable, for as Gourvish adds 'both episodes [organisational structure and shareholders compensation] illustrate an important – and alarming element – in the framing of the nationalisation proposals. What mattered was political and administrative expediency'.[41] Moreover, Gourvish considered that 'there is no doubt that the combination of a hostile private interest and a diffident civil service hindered the process

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[37] Millward and Singleton 'The ownership of British industry – an explanation', in Millward and Singleton, *The Political Economy of Nationalisation,* p. 319.
[38] Wilson to MOT on discussion with Hurcomb, 26 November 1945, MT74/1.
[39] Wilson to Hurcomb, 27 November 1945, MT74/1.
[40] Gourvish, *British Railways*, p. 25.
[41] Ibid., p. 27.

of drafting a complex and wide-ranging bill in a relatively short time'.[42] As will be argued later, the first point is debatable but the second interpretation is accurate, for the government's timetable imposed the requirement to draft in rapid succession a series of complex nationalisation bills, all without precedent.

Once the Labour Cabinet had decided upon public ownership for the railways, the MOT became pre-occupied with the contents of the long and complicated legislation, rather than on detailed planning for the new organisation. Investigations into the industry centred on administrative matters, not on strategic management. All that seems to have been produced was a general statement that a board should be created to run the industry both on commercial lines and for the benefit of the community. A working party was set up to determine policy on relations between the BTC and the Ministry. But the resulting guidelines on state-industry relationships proved ineffective, mainly because of lack of precision in defining the authority of the Minister in relation to the BTC.[43]

Only after the CCSI received reports in January 1948 on managerial and financial problems in the coal industry was attention focused on the management of large-scale organisations.[44] As a result the CCSI examined the operational responsibility and specialist management functions of four large-scale private companies in the US and UK.[45] However, this promising line of inquiry was not developed, almost certainly because of a preoccupation within the CCSI on remuneration and pensions for members

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[42] Ibid., p. 24.
[43] Notes on points of policy for the BTC, MOT 14 August 1947, MT74/193.
[44] CCSI, Taking stock, 29 January 1948, CAB134/689.
[45] CCSI, 20 February 1948, CAB134/689.

of the nationalised industry boards, and on the debate surrounding nationalisation of the Iron and Steel Industry. Nevertheless, the efficient operation of the nationalised industries was subsequently raised with the CCSI in July 1949 by a concerned Barnes, the Minister of Transport, when reporting the serious financial position of the railways, caused by uncontrollable cost increases.[46] It was then becoming apparent that some of the Commission's activities could not cover their operating expenses, let alone contribute to the servicing of its debt and the general costs of the Commission.[47] Subsequently, the BTC Financial Comptroller, Reginald Wilson, circulated to the CCSI a document on efficiency audits for the railways.[48]

All of this focused concern upon efficiency; in other words, it had become apparent that nationalisation in itself did not create efficiency. Only now, *after* nationalisation, was there realisation that a full understanding of the practical organisation of the railway industry was required. As a result, Stafford Cripps (President of the Board of Trade) supplied CCSI members with that section of Peter Drucker's book on managing big business which related to the management and organisation of General Motors[49]. Aside from the irony of Labour ministers seeking to learn how to make British public ownership work by studying an American capitalist firm, this might have been a significant development: study of a huge, geographically-scattered company. However, there is no evidence of further research on this issue by the CCSI. Instead, the CCSI appeared to accept that the

[46] CCSI, 27 July 1949, CAB134/690.
[47] Chester, *Nationalisation of British Industry*, p. 1052.
[48] R. H. H. Wilson, *Observations on the Process of Efficiency Audits* (London, 1949).
[49] Cripps to CCSI: Peter Drucker, *Big Business* (London, 1947), 23 July 1949, CAB134/690.

problems of the newly nationalised industries were the result of no more than 'birth pangs', in the belief that 'experience has shown that it takes a very long time to secure efficient management of a large and widely spread industry'.[50] Nevertheless it is plain that within a year of the creation of the BTC, the CCSI already had serious concerns about its management capability and financial condition.

No adequate and detailed consideration had been given to a suitable structure for the governance and management of the railway business before the enabling legislation was drafted. This had serious consequences. There was no comprehensive assessment of the nature of the business to be created, or how to manage it effectively. Nor was there meaningful consultation with the directors of the four main-line railway companies, probably because Labour ministers and their officials simply assumed that integration of these companies would automatically result in greater efficiency. As will be shown in later chapters, this was not to be the case, and the BTC endured severe management and financial difficulties.

II

A central Labour argument for nationalisation was that only under public ownership could the necessary reconstruction and modernisation of the railways be achieved. But could such rebuilding have been undertaken by the existing four main-line railway companies? The directors of those companies argued that it could, and indeed that this would have positive advantages: retaining the existing structure would avoid the probable

[50] CCSI minute: 'Birth pangs', 29 June 1948, CAB134/689.

difficulties of reorganisation, and allow the reconstruction of the system to be better managed. It was also their contention that 'the railways had served the public with distinction in war and peace', and that consequently 'prior to proposals for nationalisation being laid before parliament there should be a public enquiry on the performance of the railways before an independent tribunal'.[51]

The railway companies' claimed ability to continue to run the system has received little historical enquiry. Assessment of the validity of their arguments raises five questions. First, were the railway companies' proposals workable? Second, what was the physical state of the railways at the point of nationalisation in 1948? Third, could the Big Four have offered more effective management and strategic expertise than a public corporation? Fourth, what was the railway companies' state of preparedness for reconstruction? Fifth, did they possess the financial capability to undertake the task?

As Gourvish points out, 'the railway companies, already in 1941 alerted by rumours that the government was contemplating nationalisation, determined meanwhile to undertake some reconstructive planning of their own'.[52] As a result, in early 1942 the Railway Companies' Association [53] established a planning committee, under the chairmanship of Sir Ronald Matthews, Chairman of the LNER. Accepting the need for change, its terms of reference were to consider how in the future greater operating efficiency

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[51] The GWR, LMS, LNER and SR, *British Railways and the Future* (London, 1946).
[52] Gourvish, *British Railways*, p. 20.
[53] This body had a long history and was formally constituted in 1869; it then continued in operation until nationalisation in 1948. Its meetings were generally attended by the Chairmen of the Big Four, but the expertise of the railway company General Managers was also used for its sub-committees.

might be achieved under private ownership, and to present realistic alternatives to nationalisation. This strategy for post-war reconstruction, *British Railways and the Future*, was published in October 1946, and achieved wide dissemination by means of an extensive publicity campaign.

In addition, a planning commission was set up to undertake research into ways to promote co-operation between the main-line companies. The result was a series of reports (19 in all),[54] covering a number of organisational issues which included among others, concentration of merchandise traffic, greater integration between rail services and road transport,[55] and further collaboration between the four main-line companies. Gourvish is critical of these reports, suggesting that 'the [planning] commission's activities proved to be disappointingly superficial', that 'its reports could only be rather general and platitudinous in nature', and that 'they were certainly not the basis for a unified approach to the rationalisation of the railway system and the improvement of operating efficiency'.[56] These verdicts are, however, unduly harsh, not least because the purpose of these reports was as much to examine potential ways forward as to provide definite proposals. Typical is the report on block train-loads which identified scope for further development,[57] but in the event this potentially efficient and profitable mode of operation was not fully recognised and developed by the BRB until the 1960s. Other reports covered various aspects of railway operations including station facilities, the design of marshalling yards and

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[54] The reports are in RAIL1098/29-47.

[55] In January 1939 the railway companies had set up a liaison committee with the Road Haulage Association with a view to seeking wider co-ordination between road and rail: see RAIL424/27.

[56] Gourvish, *British Railways*, p. 21.

[57] The Railway Companies' Association Planning Commission's, report on the retention and development of block train-loads for coal and other traffics, March 1944, RAIL1098/41.

braking systems. As will be shown later, had the Railway Executive embraced such strategic thinking and followed the detailed advice on braking systems, considerable savings could have been achieved.[58] More to the point, these reports offered a great deal more in terms of practical post-war planning than anything undertaken by either the Labour party or the MOT.

The Railway Companies' Association case against nationalisation was based upon the claim that allowing the companies to carry out their plans would lead to the development of one of the finest transport systems in the world. This was to be achieved by further improving the close working relationships established between the Big Four during the war, developing greater co-ordination between road and rail traffic, and continuing the high levels of investment in permanent way and rolling stock.[59] Attention was also drawn to the potential problems inherent in creating a single large-scale organisation, in particular the anticipated administrative upheaval, resolution of which was likely to be prolonged and difficult. This point was reinforced by reference to the protracted integration problems experienced after the 1923 grouping of the railway companies,[60] when the incorporation of different traditions, loyalties and even language proved debilitating to the railway companies.[61] The arguments against public ownership were expressed particularly strongly by the chairmen of the Big Four. Lord Royden, Chairman of the London Midland and Scottish Railway (LMS) promised to oppose

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[58] These reports are in RAIL1098/30,39,41,42.
[59] *British Railways and the Future,* conclusion.
[60] The Transport Act of 1921 created regional monopolies in the form of the Big Four by amalgamations of numerous smaller companies.
[61] Gerald Crompton, 'The railway companies and the nationalisation issue', in Millward and Singleton, *Political Economy of Nationalisation,* p. 117.

nationalisation by all lawful means and emphasised the need for the nationalisers to prove their case.[62] Colonel Eric Gore-Brown, Chairman of the Southern Railway (SR), offered to prove the case for private ownership before any impartial committee or commission.[63] These attempts to influence events were justified by what Sir Ronald Matthews described as 'a certain amount of insidious propaganda going on in high places'.[64] In effect, the chairmen challenged the government to prove publicly, through an independent inquiry, that a better or cheaper service could be provided, or that railway employees would be better off under nationalisation. This challenge was not taken up.

The extent of support for the railway companies' campaign has been underestimated by some commentators. For example, Addison stated for each nationalisation scheme (including that for the railways) that 'the argument for state control was as much accepted by businessmen as Labour politicians', and that 'the industries concerned were either public utilities or ailing concerns of little value to their owners and no interest to other capitalists'.[65] In contrast Morgan declares that 'from 1947 onwards the conventional historian's wisdom that public ownership as proposed in 1945, was so broadly accepted that it went through with little opposition or protest is clearly in need of much modification'.[66] If there was little resistance over the coal industry, this was not true of all nationalisations. The railway companies not only put up their own fight against public ownership; they also obtained strong support from other bodies of industrial employers, including

[62] *Times*, 2 March 1946, p. 97.
[63] *Times*, 8 March 1946, p. 4.
[64] *Times*, 9 March 1946, p. 7.
[65] Paul Addison, *The Road to 1945* (London, 1975), p. 273.
[66] Morgan, *Labour in Power*, p. 107.

the Road Haulage Association, the National Union of Manufacturers, the Association of British Chambers of Commerce and the Federation of British Industries.[67] All four bodies opposed nationalisation of inland transport on the basis of efficiency, flexibility and cost to the taxpayer. The British Chambers of Commerce also pointed to the problems experienced by nationalised transport systems in other countries. Its report prophetically pointed out that public ownership had invariably led to the accumulation of large deficits, the funding of which required significant levels of financial support from the taxpayer.[68]

Gourvish is critical of the main-line railway companies for their 'continuing and generally unconstructive opposition'.[69] Yet conversely he concludes that 'a closer involvement by the companies in the drafting procedure would almost certainly have produced nothing more than marginal changes in the basic organisational framework'.[70] As Chester indicates, the chairmen of the four companies did meet with Barnes on 22 January and 6 February 1946, but as the government's proposals were in the process of being formulated, they understandably chose to wait until the scheme was finalised before commenting.[71] Their thinking was doubtless coloured by their opposition to a single nationalised industry, and after all the chairmen of the railway companies were hardly likely to promote the demise of their own organisation. The companies fully understood the implications of the argument outlined by Chester that 'nationalising various forms of transport

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[67] Joint Committee of the Association of British Chambers of Commerce and the Federation of British Industries, *Post-war Transport* (October, 1944).
[68] Association of British Chambers of Commerce, *Report on the Nationalisation of Inland Transport*, 1 May 1946.
[69] Gourvish, *British Railways*, p. 24.
[70] Ibid., p. 25.
[71] Chester, *Nationalisation of British Industry*, p. 75.

was largely inspired by the virtues claimed for a co-ordinated system'.[72] And anyway, the Big Four believed that they were well placed to move towards greater co-ordination of transport, and indeed all had significant wider transport interests. The companies further believed, correctly as it proved, that:

> Total nationalisation involving a complete change of ownership and control will create many administrative problems, the solution of which would impede the efficient modernisation of the transport system and therefore in the interests of the nation only those steps be taken that are necessary to solve the problems with which the railway industry is faced today.[73]

Barnes was sent an advance copy of *British Railways and the Future,* which outlined how the companies expected to achieve further operating improvements. However, he proved unreceptive to any of the ideas contained in it, and they remained undeveloped. Even so, a further attempt to shape the debate came from the LNER in October 1946 with the publication of *The State and the Railways: An Alternative to Nationalisation.* This contained a proposal for a new concept in railway ownership through a tenant-and-landlord scheme. The scheme offered a partial nationalisation of railway assets without dramatic upheaval from the creation of a new and sizeable public corporation: the government would purchase the tracks and certain lands, which would then be rented back to the companies. In many ways the proposal was ingenious. The government could claim that the majority of the railways' assets had been nationalised, and that public ownership of the infrastructure would allow wider co-ordination and integration of services similar to that experienced during war-time. Yet the

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[72] Ibid., p. 392.
[73] Matthews to Barnes, 11 October 1946, MT74/167.

experience and skills of the higher echelons of management in the main-line companies would be retained. The proposal appeared radical, but it was hardly new: the early railway companies had anticipated that they would operate in the same way as canals and turnpikes, with independent concerns supplying their own power and wagons then paying a toll for use of the line.[74] As can be shown by the operating position of the railways since 1995, this structure could have proved effective and successful. However, the response from Barnes was perhaps predictable:

> Whilst I have always been willing to listen to any proposals that the Railway Chairmen might make, I am sure that you will realise that your plan for a partial nationalisation which you suggest cannot be accepted as a satisfactory alternative to the more comprehensive nationalisation proposals. Nor can I agree that it would be workable.[75]

Although there was further contact between the railway companies and the government, none of it related to the vital issues of the proposed structure and organisation of the nationalised railway. In July 1947 the Treasury sought information from the LMS on its staffing costs, but this was not for the purposes of deeper understanding of its cost base. It was concerned only with calculating changes to Civil Service rates of pay, which required comparison with good employers elsewhere.[76] In January 1947 Barnes sought a meeting with the railway companies' management, but only to consider such practical matters of implementation as housing loans to staff, pension rights, preservation of records and the repayment of debentures. Indeed, in requesting this meeting he stressed that 'no consideration would

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[74] Terry Gourvish, *Mark Huish and the London and North Western Railway: A study of Management* (Leicester, 1972), p. 31.
[75] Barnes to Matthews, 15 October 1946, MT74/1.
[76] Thompson (Treasury) to LMSR, 8 July 1947, RAIL424/29.

be given to administration or control of the new public corporation, plans for which had by then essentially been completed'.[77] Barnes' letter made it clear to the railway companies that, despite their strong representations, they were to be taken into public ownership, and that they would be allowed no influence over the new structure of the industry. In reality, from the outset the Labour government had no intention of being deflected from a policy of wholesale transport nationalisation, however persuasive the contrary arguments. Wilson's draft report of November 1945 on the co-ordination of inland transport was unambiguous: 'the Government has made it clear that they are not prepared to consider solutions not based on the actual transfer of ownership of leading transport agencies either to public corporations or the state'.[78] From then onwards the focus of attention in the MOT changed from consideration of possible alternatives for the transport industry to planning its nationalisation.

Notwithstanding the government's lack of interest, it seems likely that the railway companies' alternatives to nationalisation were workable. In the first place, wartime experience indicated that greater co-ordination could increase the capacity of the four systems. Those systems had after all been able to maintain operational capability under intense pressures; and, as will be argued below, since the end of the war they had made remarkable progress in rebuilding. However, as will also be shown later, rapid economic and social changes soon made the capacity argument irrelevant. The LNER tenant-and-landlord scheme certainly had merits, as shown by its successful operation in other countries and indeed, fifty years later, in Britain itself.

[77] Barnes to Chairmen of the Big Four, 16 January 1947, MT74/93.
[78] Wilson, Draft secret report on the co-ordination of inland transport, 12 November 1945, MT74/1.

Another important indicator is that in the pursuit of greater operational efficiency, the nationalised railways were later reorganised on a regional basis, not dissimilar from the structure of the Big Four. Had the railway companies' alternative proposals been accepted, it seems likely that the management structure of the Big Four would have changed relatively little, and many of the debilitating upheavals experienced after nationalisation could have been avoided.

One of the Labour party's key contentions was that the railways were so run down that reconstruction was only possible under government ownership and control. How valid was this argument? Gourvish is critical of the railway companies' financial position, yet accepts that their assets 'were, it is generally agreed, in relatively good physical shape in 1939'.[79] This foundation allowed the Big Four to operate effectively during the war with a minimum of maintenance. Crompton may be attempting to 'damn with faint praise', when he accepts that 'the railway companies achieved a good deal between the grouping and nationalisation, including a respectable standard of efficiency in routine operations'.[80] Yet, after six years of war the situation had changed owing to damage sustained in the conflict and the inability to replace destroyed assets. However, the exact state of the railways' assets on vesting day, 1 January 1948, was the subject of some debate. The Chancellor of the Exchequer, Hugh Dalton, famously described the railways as 'a very poor bag of physical assets'.[81] Morrison, as chairman of the CCSI and the Minister chiefly responsible for nationalisation, argued that many of the assets were decrepit and that public ownership would lead to

[79] Gourvish, *British Railways*, p. 5.
[80] Crompton, 'The railway companies 1920-50', p. 140.
[81] Dalton, *HCDeb* 431, c. 1809, 17 December 1946.

improvements in facilities for passengers as well as offer more effective management:

> The country will have a splendid opportunity to wield an efficient instrument to meet its transport needs. The new concern will be absolutely free to go for sheer efficiency right from the beginning and use assets in a way that is best. They will be able to write off those miserable rolling stocks in which the middle and lower classes have to travel.[82]

How valid are these contentions? Matthews' immediate response to Morrison's assertion was to institute a media campaign to defend the railway companies' position on the basis that the statistics used were simply inaccurate, and that much modernisation had been postponed owing to the use of railway workshops for essential war production.[83] Furthermore, it can be argued that there was a weakness or inappropriateness in the criteria used to judge the effectiveness of railway performance and management. As Crompton wrote, 'for many critics of the inter-war railway companies one of the most appropriate criteria of their financial soundness, managerial resourcefulness and commitment to modernisation is their record on electrification'.[84] This was true of Morrison, for since the Weir Report of 1931[85] he had consistently advocated electrification as vital for the railways. This view was also apparent within the MOT, as indicated by the frequent references to electrification in reports on modernisation.[86] Yet the common comparison with European experience was inappropriate, for there the stimulus was either the availability of cheap hydro-electric power and limited

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[82] Morrison, *HCDeb* 431, c. 2076, 18 December 1946.
[83] *Times*, 24 December 1946, p. 2.
[84] Crompton, 'The railway companies 1920-50', p. 125.
[85] The Weir Committee produced a systematic analysis of the case for comprehensive electrification of the railways.
[86] In particular in the secret reports produced between 1943-45 in MT74/1.

indigenous fuel supplies, or the provision of government finance. Moreover, as will be shown later, when the West Coast main-line was eventually electrified, the complexity of its construction and the associated massive costs supported the railway companies' arguments that the anticipated low returns to many of the electrification schemes made little commercial sense.[87] According to Leslie Hannah, British railway electrification went as far as other countries which did not have the benefit of hydro-electric power.[88] Even today much of the railway network has not been electrified owing to its high cost and anticipated low returns to capital.

After a long and destructive war during which maintenance was minimal, by 1945 the railways certainly needed massive reconstruction and modernisation. This process began almost immediately after the end of the war, but progress was constrained by austerity measures. Even so, much was achieved between 1945 and nationalisation, with the effect that the position was not as extreme as that stated by Morrison. An examination of Labour's Cabinet Investment Programme Committee (CIPC) undermines the view that the railways were so depleted that only government action could resolve the issue. In 1947 investment on permanent way, works and structures reached £42·2m, which compared well with the proposed £50·2m for the nationalised industry in 1952.[89] In addition, the 1948 review of rolling stock noted that only 40% of locomotives, 24% of wagons, and 28% of passenger coaches were more than 35 years old.[90] Given that the design life of most rolling stock was a minimum of 40 years, and given also the impact

[87] Crompton offers more detail on the debate in: 'The railway companies 1920-50', p. 131.
[88] Leslie Hannah, *Electricity before Nationalisation* (London, 1979), p. 46.
[89] CIPC, Railway Investment 8 April 1948, CAB134/439.
[90] CIPC, Report on Capital Investment in 1949, CAB134/439.

of war and the understandably severe post-war restrictions, such a record appears highly creditable. This view was supported by the Railway Executive in its initial Five Year Plan (1948-52) which stated that:

> It is neither practicable nor indeed necessary to replace all rolling stock over 35 years of age. There are for example many locomotives over 35 years of age engaged on shunting and other work where replacement could not be justified even under normal conditions.[91]

Even the Cabinet Investment Programme Committee concluded that there was not such an absolute deficiency of capacity on the railways as there was in other sectors, and that no irreparable harm would result from a reduced locomotive building programme.[92] The actual position of the railways was less critical than it might appear from ministerial statements, plainly intent on justifying their nationalisation plans.

A further key element of the railway companies' argument against nationalisation was that it would require an even more comprehensive reorganisation than that experienced in 1923. Yet the Labour government confidently anticipated that the newly-created public corporation would not just re-organise and reconstruct the railway network, but also, simultaneously, undertake the re-organisation and co-ordination of all inland transport. The Big Four companies' plans for their own retention would plainly have reduced the burden of re-organisation; but could they have successfully managed the formidable task of reconstruction and modernisation?

The railway companies certainly appreciated that reconstruction had to incorporate modernisation, the implementation of which could only be

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[91] The Railway Executive, 'British Railways and the Future', 12 October 1946, MT74/1.
[92] CIPC, Investment Programme for 1949: Conclusions p. 23, 16 July 1948, CAB134/439.

achieved through detailed planning. The LNER was typical of the Big Four in preparing a comprehensive plan for rebuilding its infrastructure and rolling stock, taking into account the problems of post-war shortages. As early as 1942 a planning committee had been established under the chairmanship of the then LNER Assistant General Manager, O. H. Corble. Its remit was to make proposals on LNER development after the war, on the basis that it would be capable of dealing with traffics of all description in an efficient and economic manner. By September 1943 a highly detailed plan had been prepared covering air transport, docks, goods terminals, marshalling yards and rolling stock. A notable feature was its preference for electrification of its high-density lines, listing and costing a number of schemes, including all suburban lines into London and from there to Leeds. Perceptively, the report also identified the need to counteract road competition by increasing the speed of services generally, and consequently proposed that the whole character of the operating timetables should be reconsidered and reconstructed.[93] This plan was further developed at regular meetings of the North Eastern Development Area Committee in York from August 1943, to consider implementation, review the necessary reconstruction works, and assist in deciding on investment priorities.[94]

This LNER plan was not untypical of the Big Four companies. The SR was also active in preparing for the post-war position with its 'Proposed Extension of Electrification',[95] and its plan for 'Electrification and Future Development'.[96] The SR plans advocated electrification of all the principal

[93] *LNER Post-War Development*, 8 February 1944, RAIL390/1221.
[94] LNER (NE) Post-war Development Committee, 6 August 1943, RAIL390/2040.
[95] Southern Railway, Proposed Extension of Electrification (1944), RAIL1188/292.
[96] Southern Railway, Electrification and Future Development (1945), RAIL1188/290.

routes east of a line from Reading to Portsmouth, with all branch lines operated by diesel.[97] The SR report found that extensions to electrification required high levels of investment, but prophetically warned of the almost 'prohibitive cost of overhead wiring',[98] owing to high installation and continuing maintenance costs. It calculated that its third-rail system cost less than half that of overhead wiring to install, and also created less operating problems. Perversely, the BTC was only to discover these facts after its highly expensive and problematic West Coast electrification was well under way in 1961. In addition, after a fact-finding party toured North America to study the advances in diesel traction, the SR ordered three main-line diesel locomotives of 1,600hp in 1947 (although in the event they were not delivered until 1950).[99] Similarly, on the LMS before and during the war there had been an emphasis on developing a centralised management structure and incorporating technical research within it.[100] It is likely that this development contributed to the LMS planning for dieselisation through the production of two prototype diesel locomotives at Derby works in 1947. Even the conservative GWR accepted the need for modernisation and decided to follow the Swiss railways and experiment with gas-turbine powered locomotives.

It can be seen that the private railway companies had a clear understanding, not simply of the need to embrace modernisation, but the directions in which it should proceed. However, the lesson appeared to have

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[97] Crompton, 'The railway companies 1920-50', p. 128.
[98] Proposed Extension of Electrification, p. 29.
[99] Anonymous 'Sir Eustace's diesels', *British Railways Illustrated,* 7 (1998), p. 156-163.
[100] Colin Divall, 'Down the American road? Industrial research on the London Midland and Scottish Railway, 1923-47', http//www.york.ac.uk/inst/irshome/papers/lms (2003), pp. 1- 29.

been lost on the nationalised Railway Executive. During the whole of its existence from 1948 to 1953, it did not order one main-line diesel locomotive, and instead expensively perpetuated outdated steam technology. Indeed it can be argued that the railway companies' state of preparedness for modernisation was unmatched by anything the BTC produced before 1955. This deficiency in strategic planning was the result of the BTC prioritising the creation of a massive and complex new organisation, and raising finance to develop its road transport undertakings. While these understandably took priority over railway modernisation, this lost opportunity for development was to have significant repercussions. It was seven years after nationalisation before the railways produced a comprehensive blueprint for modernisation and development in its Modernisation Plan of 1955. Even that effort proved to be superficial, inadequately produced, and poorly implemented. In contrast the LNER had by 1945 produced a well prepared and highly detailed plan to commence modernisation.

A final issue in assessing the railway companies' readiness for post-war reconstruction and modernisation was their financial condition. However, a full understanding of the position in 1948 requires comparison with 1938 and the likely impact of any reversion to full private ownership. According to Crompton, the problems of declining traffic and falling receipts during the inter-war years created a position of reduced returns to capital to such an extent that 'this was a financial performance which inevitably put the future independence of the railways in some jeopardy'.[101] This conclusion may be valid for normal business operations, but allowance should be made for the

[101] Crompton, 'The railway companies 1920-50', p. 125.

unusual structure of the railway companies' assets and their depreciation practices. Charges for depreciation were made for moveable assets only; for land, buildings, permanent way and other works, revenue was only charged when an asset was replaced, and those charges were included with maintenance expenditure and not readily identifiable in the accounts. [102] As so many assets were long-lasting (even today a high proportion of railway infrastructure was built during Victorian times), the railway companies were able to mitigate the impact of any reduced revenue in a way not available to other commercial operations.

Even so there was a problem for the railway companies from restrictions on their revenue, Gourvish estimates that this fell by nearly 25% in 1938, and then concluded that 'although the trade depression was primarily responsible the railways put some of the blame on the government's one-sided control of freight traffic charges'.[103] The railway companies argued that their financial position had been undermined by legislation which imposed a common carrier obligation and the requirement to publish all of its rates, and which restricted their ability to increase charges in line with increased costs. An attempt had been made to redress the perceived unfairness of these restrictions through the Square Deal Campaign. This proposal was submitted to the MOT in 1938,[104] and then passed through the required bureaucratic procedures including the Transport Advisory Council, which supported the change. However, the start of the war halted further action and new financial arrangements were

[102] MOT memo (undated), MT124/41.
[103] Gourvish, *British Railways*, p. 2.
[104] Co-ordination of goods transport 1939, Appendix 1, Railway Square Deal Proposals, MT74/1.

imposed on the railway companies. During the latter stages of the war it had become obvious to the railway companies that they urgently needed to formulate alternative financial strategies for the future. It had also become clear that a return to the pre-war position was most unlikely, and that the end of the war would lead to the end of the financial arrangements embodied in the Railway Control Agreement. The railway companies' ideal was for the government to allow greater commercial freedom, similar to that proposed in the pre-war Square Deal Campaign. However, this possibility appeared remote in the light of the statement from Lord Leathers, Minister of War Transport, in 1943:

> I do not believe that the Square Deal proposals put forward by the railway companies before the war will by themselves solve the problem. In my view these proposals fail to reach the root of the problem and both the Transport Advisory Council and the then Ministry of Transport regarded them as merely stop gap arrangements. Even if it should be proper in the post war circumstances to proceed with the Square Deal proposals, I am firmly convinced that some more radical solution has to be found although I am not as yet able to bring forward any precise suggestions.[105]

In addition to complaining about the impact of pre-war controls, the railway companies argued that their financial difficulties were exacerbated by the nation not fully paying for their contribution to the war effort. Companies in other sectors, particularly in road transport, earned substantial profits during the war-time boom in demand for transport, because the terms of the Price of Goods Act allowed them to increase prices to reflect cost increases, and many did so. The railway companies, however, were not covered by that Act, for they were in effect financially controlled by the government under the

[105] Leathers, *HCDeb* 129, c. 384, 27 October 1943.

Railway Control Agreement. Gourvish argues that 'much of the contemporary grumbling about the war-time agreement and its effects came from an industry which had accepted, all too readily, the opportunity to exchange the uncertainty of war-time profits for the security of a guaranteed net revenue and maintenance fund'.[106] Yet the fact is that the railway companies had felt coerced into accepting the control agreement, because they believed that otherwise the government would have imposed a form of nationalisation on them. Although the companies were dissatisfied with these financial arrangements, it was clear from the attitude of Sir John Reith, Minister of Transport in October 1940, that there was little possibility of change, for he informed the chairmen of the Big Four that under the wartime position 'they had no reasons for existence other than the payment of dividends etc'.[107] The railway companies' frustration with this position increased markedly when a revised scheme was imposed on them in 1941. Their response was 'dismay at the new arrangements'; they 'considered the previous ones were barely satisfactory but these are so much worse'.[108]

These new arrangements comprised a system whereby receipts were pooled, with £43m going to the railways and revenue between that sum and £68 million shared between the government and the companies, although they were restricted to a maximum of £51m.[109] All revenue over £68m was to go to the government, and the costs of war damage were to be charged to working expenses. This effectively blocked the railway companies' opportunity to build up a reserve fund to finance post-war reconstruction.

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[106] Gourvish, *British Railways*, p. 4.
[107] Meeting with Reith and Chairmen, 30 October 1940, RAIL423/23.
[108] Railway companies' chairmen to Minister of Transport, 16 January 1941, RAIL423/23.
[109] Railway Control Agreement, RAIL1007/64.

Despite the companies' opposition, no changes to the scheme could be negotiated, and it was retained for the remainder of the war and for some time after. The result, as Gourvish points out, was that, 'the government's financial arrangements with the railways have been strongly criticised by some historians, not only for the restriction on company profits but also for the freeze in charges'.[110] This is understandable given that in 1941-5 the railways earned £412·6m, equivalent to a decade of pre-war profits, but that £195·3m or 47% was retained by the Treasury.[111] In addition, the government restricted increases to charges during the war and for some time after. Wilson calculated that between 1941 and 1945 charges increased by 16¾%,[112] while the *Railway Gazette* estimated that the average increase in railway costs had reached 80% by June 1947.[113] The companies were allowed modest increases in 1946 and 1947, but even then Gourvish estimates that charges were only 55% above the pre-war level.[114] The railway companies' potential earnings were therefore subjected to a highly restrictive regime from the government before, during, and after the war, and this damaged their ability to pursue post-war investment to the level they wished.

In addition, there were problems over that part of the Railway Control Agreement concerned with war damage, something which should have brought the companies some financial assistance. Gourvish outlines what he considered to be the two over-riding assumptions implicit in MOT thinking in 1943: 'first that the government's accumulating trust fund would be

[110] Gourvish, *British Railways*, p. 3.
[111] Ibid., p. 3.
[112] Wilson to Hill 25 October 1945, MT74/1.
[113] *Railway Gazette*, 15 August 1947.
[114] Gourvish, *British Railways*, p. 4.

sufficient to meet the bill for replacement at *future* cost, and, second that there were advantages in deferring expenditure in order that it might be geared more closely to post-war transport needs and motive power policy.'[115]

Hurcomb's memos make this perspective clear:

In restoring the status quo ante bellum, the large sums which have accumulated in the maintenance trust fund set up under the Railway Control Agreement together with other monies (including war damage compensation) will amount to £150 million or more. Whilst much will be needed for ordinary maintenance it is difficult to think that the whole or even the major part of this sum need or should be devoted to renew the physical assets as they existed in 1939.[116]

However, what Gourvish does not stress is the thinking implicit in Hurcomb's second memorandum: that the political establishment and '*we*', the MOT, not the railway companies, would decide on the direction of future expenditure financed by the trust fund:

I have already drawn attention in a previous memo to the very large sums which will be available to the railway companies for renewals and overtaking of arrears of maintenance. They ought not to be spent merely restoring the status quo ante bellum but they should be carefully applied to the system of transport which we desire to see established in the future.[117]

This thinking clearly influenced the tardiness with which payments were made to the railway companies. From 1945 to 1947 only limited funds from the scheme were made available to them, though these sums were quickly and effectively used to finance the rebuilding of their systems. The final agreement on the level and payment of compensation for war damage was

[115] Ibid., p. 4.
[116] Secret report from Hurcomb, 'The nature of proposals for a public utility corporation', July 1943, MT74/1.
[117] Hurcomb, Inland transport, Post-war Policy 15 August 1943, MT74/1.

only reached after nationalisation, in prolonged negotiations from March to July 1948 involving Hurcomb (now BTC chairman), Wilson, and the Treasury. The final agreed figure of £36m was well below the amount anticipated by the companies, and suggests that the Treasury's view had prevailed.[118] It is likely that if nationalisation had not occurred, the railway companies would have sought a considerably larger sum, which if realised would have made a substantial contribution towards the reconstruction and modernisation of their undertakings. Indeed, it is possible that the financial implications of payment of substantial war-damage compensation contributed to the hurried pace of nationalisation of the railways. In the event Hurcomb presided over much of what the railways received from the trust fund, but the effectiveness of this expenditure proved debatable, particularly in relation to motive power policy.

It has been argued that the railway companies formulated what they believed to be realistic and workable alternatives to nationalisation, and that they continued the fight to retain their independence until the Transport Bill of 1947 was largely complete. That they were unsuccessful in their aim does not detract from the argument that continued private ownership did offer a feasible alternative to nationalisation. The Big Four were well-established companies which possessed the requisite managerial skills and experience to handle the changes demanded in the new post-war world. Had the companies been free to price their services before and during the war, and if they had been properly recompensed for war damage, they might have

[118] War damage claims were paid under the War Damage (Public Utility Undertakings) Act 1949, MT47/263.

possessed the necessary financial reserves to continue operating in the long term. However, in the absence of these resources Crompton concludes that:

> Except on improbable conditions (generous State assistance and tight restrictions on road transport) private ownership could not have offered the railways much of a future after 1945. Investment programmes on the scale actually realised in the 1950s and 1960s would not have been feasible outside the public sector.[119]

Gourvish explains why: by 1938 the railway companies faced severe financial difficulties; net revenue had fallen by nearly 25%, the return on capital expenditure was a meagre 2·88%, and the economies of scale envisaged by the 1923 amalgamations were never fully realised.[120] After the war economic pressures became even greater, with the railway companies' net earnings falling from £62·5m in 1945 to only £32·5 in 1946.[121] Given these financial pressures, continued private ownership could have continued only if a Labour government had been prepared to offer large scale subsidies and the cartelisation of railway operations. Unsurprisingly this was not considered. Rather the political rhetoric emanating from the Labour party indicated that there was only one way forward, and after the election of 1945, proposals for the nationalisation of the railways proceeded rapidly and without adequate consultation.

III

The historical literature accepts that the institutional arrangements formulated for the railways by the Cabinet Committee for the Socialisation of

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[119] Gerald Crompton, 'Good Business for the Nation' The Railway Nationalisation Issue 1921-47, *Journal of Transport History* 20 (1999), pp. 156.
[120] Gourvish, *British Railways*, p. 2
[121] Ibid., p.3.

Industry resulted in serious problems of management and operation. As events were to prove two inter-related questions created serious problems of management and operation, and which might have been resolved with more detailed consideration and consultation. The first concerned the management structure and the likely influence of the division of authority by function. Second was a more complex issue: the status and functions of the BTC, the executives and the Minister, and the relations between them.

The management structure imposed under the 1947 legislation created the BTC which comprised: an overarching body the Commission, and separate executives for the Railways, Road Haulage, Docks and Inland Waterways, and Hotels. This structure encountered serious difficulties owing to the conflicting approaches of the Commission and the Railway Executive. As Gourvish asserts 'It may indeed be argued that the organisational framework of the Commission and Executives was selected in the full knowledge that it was likely to prejudice the co-ordinating aim'.[122] Bonavia adds that 'the differences in outlook by the British Transport Commission and the Railway Executive were of course fundamental'.[123] Similarly, Pollins concluded that the creation of the BTC and separate executives 'was a rather curious structure for an organisation whose function was to operate an integrated transport system'.[124]

Quite why this structure was established has received little consideration, but an examination of the legislation and CCSI records offers some explanations. By contemporary standards the 1947 Transport Act was a considerable and complicated piece of legislation, owing to the extent of

[122] Gourvish, *British Railways*, p. 27.
[123] Bonavia, *Organisation of British Railways*, p. 54.
[124] Harold Pollins, *Britain's Railways, an Industrial History* (Newton Abbott, 1971), p. 168.

the railway companies' assets, the number of companies involved, and the complexity of its administrative arrangements. Moreover, 'the problem of handling the Transport Bill in Committee was aggravated by the fact that the Electricity Bill was proceeding through another Standing Committee only three weeks behind'.[125]

The extent of the assets involved was detailed by Barnes in the third reading of the Transport Bill:

> There will be transferred to public ownership some 60 railway undertakings, 52,000 miles of track, 1,200,000 wagons, 45,000 passenger coaches, 20,000 locomotives, 25,000 horse drawn vehicles, 70 hotels and 50,000 houses which represent the main properties of the railway companies. The British Transport Commission shall provide or support or secure the provision of an adequate, economical and properly integrated system of public transport and port facilities within Great Britain for passengers and goods with due regard to safety of operation. The Commission's services shall all form one undertaking which shall levy such fares, rated dues and other charges as to secure revenue which is not less than for the meeting of charges properly chargeable to revenue taking one year with another.[126]

This extensive quantity and wide range of assets was one of the major factors which contributed to the production of a bill which was over-ambitious in its scope and poorly constructed. Yet this is hardly surprising given the pressures on ministers and parliament, when a total of 84 bills were passed in 1946.[127] The Transport Bill was so extensive that after 11 sittings at the Committee stage, only the first 5 clauses had been dealt with and the government introduced an Allocation of Time order which fixed limits to the extent of discussion. The result was that 36 of 128 clauses and 10 of the 15 schedules were either not discussed in Standing Committee, or else

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[125] Chester, *Nationalisation of British Industry*, p. 58.
[126] Barnes, *HCDeb* 437, c. 36, 5 May 1947.
[127] Bernard Donoughue and G. W. Jones, *Herbert Morrison, Portrait of a Politician* (London, 1973), p. 385.

discussion was curtailed.[128] The *Economist* commented that entire sections of the Bill had been given no detailed discussion and 'the words originally employed by the parliamentary draftsmen occasionally modified by the second thoughts of the Minister, seem at present to become law'.[129] This lack of discussion contributed to what Gourvish described as one of the most disturbing features of the legislative process surrounding nationalisation.[130]

A related issue, the extent of opposition in parliament to railway nationalisation, is the subject of some debate. Addison suggests that Conservative opposition was only 'token'.[131] In contrast, Morgan states that the Conservative opposition 'fought the Transport Bill hard in the Commons'.[132] Chester indicates that while transport nationalisation was not as strongly contested as the later iron and steel industry, there was still a difficult climate of opinion for the government. Indeed the tabling of 1,809 amendments to the original bill hardly represents token opposition.[133] Although many of the amendments related to compensation for railway company shareholders and road transport (particularly contentious was the issue of 'C' licences),[134] one impact was the failure to create a state transport monopoly. The 1947 Transport Act nationalised those parts of transport most easily dealt with (railways, docks, canals and railway interests in road transport) with the remaining parts left to be acquired later. While some, including road haulage, were acquired, many were not, including a number of municipally-owned transport undertakings. Many local authorities

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[128] Chester, *Nationalisation of British Industry*, p. 56.
[129] *Economist*, 12 April 1947, p. 545.
[130] Gourvish, *British Railways*, p. 28.
[131] Addison, *Road to 1945*, p. 273.
[132] Morgan, *Labour in Power*, p. 107.
[133] Chester, *Nationalisation of British Industry*, p. 57.
[134] Allowing holders to operate within a 40 miles radius.

fought against the loss of these locally owned and controlled transport activities and were encouraged, ironically enough, by the lead given by Labour-controlled Newcastle.[135] This failure to create a transport monopoly resulted in an emphasis by the BTC – at the expense of other issues – on the process of acquisition of road haulage. Overall, the inadequate opportunity for detailed scrutiny and revision of the legislation almost certainly contributed to the difficulties which will be considered in later chapters.

Much of the responsibility for the weaknesses in the industry structure created in the legislation can be ascribed to the Cabinet Committee for the Socialisation of Industry. This seems to have been ill equipped to cope with the extent of the demands placed upon it. [136] According to Morgan, 'it was a relatively tranquil and harmonious body',[137] and once decisions were made on creation of the new public corporations, they were rarely reviewed or refined as the legislation was drafted. After May 1946 there is no evidence of discussion on the proposed transport legislation; instead the Committee concentrated on the iron and steel and civil aviation industries. Nor is there evidence that the Cabinet introduced any changes to the CCSI proposals, perhaps not surprising given the huge volume of minutes and memoranda it received from the numerous committees and working parties. The decision-making structure of the Labour government eventually numbered no fewer than 157 Cabinet standing committees, and 306 *ad hoc* ones, with economic policy dealt with by the Lord President's Committee, supplemented from

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[135] Bonavia, *Organisation of British Railways*, p. 42.
[136] The Committee comprised: Morrison, Cripps (President of the Board of Trade), Shinwell (Minister of Fuel and Power), Barnes (Minister of War Transport), Wilmot (Minister of Supply) and Lord Winster (Minister of Civil Aviation).
[137] Morgan, *Labour in Power*, p. 110.

January 1946 by the Ministerial Committee on Economic Planning which Morgan considers was 'a failure'.[138]

This lack of rigorous examination and debate in CCSI deliberations was to produce some significant consequences. One was that proceedings were dominated by Morrison. His influence was most significant and substantial not simply because he was chairman, but also because he was the Labour party's expert on London government, transport and electricity, with much of his experience gained during his tenure of office as Minister of Transport from 1929 to 1931. His ideas were used to a great extent as a template for developing the structure and management of the new public corporations, and his experience with the establishment of the LPTB was to influence strategy for their formation. Morrison claimed that he had been able to resolve the issue of London Transport in terms of business, organisation and technical management,[139] and he believed that it was a straightforward matter to do the same for the railways. This proved an optimistic assumption with far-reaching impacts.

There were other significant transport issues which could have benefited from proper examination and debate in the CCSI. These related to a key CCSI member, Alfred Barnes, the Minister of Transport. According to Christopher Mayhew (Morrison's PPS), he in common with other non-cabinet ministers was dominated by Morrison.[140] Possibly because of this he became intransigent on a series of issues, with important consequences for the BTC's future. The first was his opposition to the proposal for the creation of an all-embracing National Transport Commission – a unitary body

[138] Ibid., p. 49.
[139] Morrison, *Socialisation and Transport*, p. 105.
[140] Francis Beckett, *Clem Attlee: a Biography* (London, 1997), p. 253.

responsible for both policy and operational decisions. At a key meeting on transport policy soon after Labour assumed office, Barnes insisted on a division of authority in transport on the basis that otherwise 'an organisation would be created that would be more powerful than the Ministry of Transport itself'.[141] As a result, it was decided that two tiers of management should be created. A commission – the BTC – would be the controlling, policy-making, and co-ordinating body for all forms of inland transport. Below this would be executive boards for the various sectors of transport. For the railways, departmental and operational functions were to be vested in the Railway Executive, charged with the reorganisation and management of the railways.[142] This two-tier structure therefore embraced a functional mode of operation, rather than the regional structure of the Big Four. Events were to prove the weaknesses of this approach in such a big and geographically spread organisation, and ultimately railway organisation reverted to a geographical basis, reminiscent of the Big Four. Furthermore, as already indicated, this functional approach with distinct operating authority for particular sectors of transport was unlikely to lead to what for many was the whole point of the exercise – transport integration.

Barnes was instrumental in a second issue with significant repercussions: appointments to the RE. Originally the general opinion had been that the Minister of Transport would appoint members of the BTC, which would then appoint the RE: consequently RE members would be subordinate to the BTC. Yet Barnes was insistent that he should appoint the members of both the BTC and the executives, a move which as Wilson

[141] Minutes of meeting on transport policy, 8 October 1945, MT74/1.
[142] CCSI minutes, 6 January 1947, CAB134/688.

pointed out to Barnes 'involved a fundamental alteration to the conception of the [Transport] Bill and it would be odd to make the BTC responsible for transport generally then deprive them of the appointment of their chief executives'.[143] However, this was unacceptable to Barnes, despite warnings that his appointment of RE members would give them a status which might lead to tension between the two bodies. His argument contained two key contentions. Firstly, the functions of the RE were so important that the Minister had to retain the power of appointment,[144] and that any anticipated problems would be dissolved because 'the personal authority, influence and interests of the members of the Commission would manifest itself in matters of policy', with the result that it would be able to 'insist upon the co-ordination of the different forms of transport if any separatist tendencies should display themselves in the Executive'.[145] Second, Barnes argued the importance of placating the trades unions, who were apprehensive about the BTC appointing members of the RE because they feared this would lead to dominance by technical experts at the expense of workers' representatives.

In June 1947 discussion in the MOT Standing Committee on the Transport Bill[146] saw Hurcomb and Wilson argue that as an administrative principle (in the Act the Minister's powers related to the BTC, not the Executives which were agents of the Commission),[147] and for the constitutional position of the Minister with regard to control of a nationalised industry, the Commission be allowed to appoint its Executive. In a stormy meeting, Barnes disagreed and informed Hurcomb and Wilson that it was

[143] Wilson to Hurcomb, 28 October 1946, MT74/19.
[144] CCSI minutes, 21 March 1947, CAB134/688.
[145] CCSI minutes, 6 January 1947, CAB134/688.
[146] Discussion on procedures, 10 June 1947, MT74/99.
[147] Chester, *Nationalisation of British Industry*, p. 902.

not part of an official's function to impose their will upon the Minister.[148] The argument continued even after a House of Commons amendment to the Bill had returned nomination of the RE to the BTC.[149] Barnes remained intransigent, despite strong and persistent exhortations from Morrison and the Cabinet. Their concern centred on the extent of authority of the Minister and his interaction with the Executive. However, Barnes eventually won his point, and the second schedule of the Transport Bill was altered to support his view – with the minor concession that the Minister should consult the BTC before making appointments to the RE. As will be shown later, Barnes' confidence that these arrangements would not cause difficulties was misplaced. From the outset competition developed between the two bodies and this resulted in relations becoming strained and ineffective, with damaging consequences for the whole railway management. Eventually, in 1953, the problem had to be solved by the abolition of the RE.

The government also failed to anticipate another problem over appointments. It was quickly discovered that attracting able candidates was difficult because of the relatively low salaries offered, and because the boards would operate under conditions of public scrutiny, and in all likelihood, criticism. According to the CCSI, 'it was difficult to secure the services of many individuals who would otherwise have been well qualified for the appointment'.[150] This is a good example of a problem which might have been avoided by consultation with the directors of the railway companies, and by consideration of alternative arrangements.

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[148] Wilson, file note N118/4, 15 July 1947, MT74/99.
[149] Standing Committee on the Transport Bill, 10 June 1947, MT74/99.
[150] CCSI minutes, 3 June 1948, CAB134/689.

Barnes was also central to the debate on worker participation. At a meeting on 24 September 1946, the three railway unions asked him to make appointments from within their ranks to the BTC. Given the socialist expectations raised by Labour party statements, the trade unions' financial support both for the party and for many individual Labour MPs, this was hardly surprising. As far as a nationalised transport industry was concerned, the NUR for instance considered that workers participation in its management was an indispensable requisite for the success of a publicly owned transport industry.[151] This view was not shared by Barnes and his cabinet colleagues, who saw the future nationalised industry operating on commercial grounds for the benefit of the community.[152] As a result they prevaricated, arguing a need for further consultation. After a long and drawn-out process, the proposal for union appointments to the BTC was rejected.

This was repeated in other nationalised industries: of the 87 appointments to the nationalised industries' boards, only seven were trades unionists. The railway trade unions understandably felt a sense of dismay, with the appointments of W. P. (Bill) Allen, General Secretary of ASLEF, to the RE, and John Benstead, General Secretary of the NUR, to the BTC, being considered as nowhere near sufficient.

The chief indication of an effort towards a more democratic working environment was the guidelines on labour relations issued to the nationalised boards. These included a pretentious requirement that these labour relations should be a 'model for the rest of industry', and the hardly revolutionary injunction that they should move towards 'developing a full

[151] NUR AGM, 1946, Bagwell, *The Railwaymen*, p. 623.
[152] Notes on Points of Policy for the BTC, 14 August 1947, MT74/193.

system of joint consultation at all levels'.[153] The hollowness of such statements had an important impact and according to Bagwell, by 1951, many railwaymen were disillusioned with the results of nationalisation, because they lacked any sense that they had an important voice in the industry, or even that railway management was a matter of concern for them.[154]

Fundamental to effective operation of the nationalised industries was their relationship with government, but here there was obfuscation. The CCSI anticipated that the BTC would have a substantial degree of independence from government, something it considered vital to their efficiency as a commercial undertaking. It was decided that although the Minister had a responsibility for the general efficiency of the board, there was no responsibility for day-to-day administration.[155] Conversely, Section Four of the 1947 Act stated that the Minister could intervene directly in railway management when required in the national interest, and that the BTC could be used as an instrument of general economic policy. Exactly how those conflicting requirements were to be interpreted and reconciled could not be established, despite considerable discussion in the Cabinet and the CCSI. A highly important issue was simply not clarified; instead Barnes brought the debate to an end with the statement 'that with good sense on both sides there is no reason to anticipate due difficulty'.[156] Subsequently, this lack of clear demarcation between the Minister of Transport and the BTC

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[153] Memo to CCSI from Minister of Labour and National Service (Isaacs), 12 November 1947, CAB134/2247.
[154] Bagwell, *The Railwaymen*, p. 623.
[155] Notes on Points of policy for the BTC, 14 August 1947, MT74/193.
[156] General Considerations on relations between Ministers and BTC, 14 October 1947, MT74/194.

created considerable difficulties for both. Yet this position contrasted with the electricity industry, for according to Hannah, although the relationship between Ministers and the new Electricity Boards was 'not rigidly specified, but large powers of fuel power coordination, and of oversight of finance and general policy were given to the Minister. He could use these to intervene on virtually any aspect of policy'.[157] Had this approach been adopted for the railways, conflict surrounding a number of issues might have been avoided.

There was, then, both an absence of meaningful dialogue between the government and the railway industry, and a lack of adequate enquiry on the most effective and practical institutional arrangements for the railway industry. Two factors inhibited consideration of effective management structures. First was the belief that public ownership by itself would resolve many problems, particularly labour issues. Yet, paradoxically, nationalisation initially made labour relations less, rather than more, harmonious. In no small part this was an effect of increased expectations among the labour force, beguiled by such statements from Morrison who visualised public ownership 'not as restrictive, repressive and damping', but as 'constructive, enlivening and animating'. Morrison's alternative to the 'comfortable complacent decay' of the monopoly was the socialised industry which was stated to offer 'life, adventure, progresses'.[158]

The second factor was the speed and manner by which the CCSI formulated the nationalisation scheme, without adequate review by the Cabinet. Pressure on time precluded extended debate, with the result that the legislation was hastily drafted and key questions not properly addressed.

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[157] Hannah, *Engineers, Managers and Politicians*, p. 41.
[158] Speech at Leeds, 3 April 1943, reproduced in Herbert Morrison, *Prospects and Policies* (Cambridge, 1943), p. 42.

Political considerations dominated at the expense of serious attention to the organisational structure, with effects that were almost certainly instrumental in creating the later deficiencies in railway management. It might even be suggested that the management structure of the Big Four would have proved more effective than the BTC in modernising British Railways.

CHAPTER 2

OPERATION UNDER THE LABOUR GOVERNMENTS 1948-51

> Nationalisation represented a new epoch in transport history that marked an end to the phase of a controversy which has raged, sometimes intermittently, but with increasing strength since the beginning of the First World War. Although the step has been taken, it by no means follows that all controversy has ended.
>
> (Editorial, *Railway Gazette*, 2 January 1948, p. 1.)

Although an extensive literature exists on the state of the post-war economy and on Attlee's government's response to the series of crises which threatened to engulf it, as Morgan has observed the literature on the Attlee administrations is 'in grave danger of retreating from reality into the half world of legend and fantasy'.[1] Moreover, in many instances where the nationalised industries have been studied, the focus has been on the political, economic and social reasons for nationalisation, rather than on the actual operation of the nationalised industries. In particular there has been inadequate consideration of why the re-organisation of the railways proved to be problematic and protracted, and why the performance of the British Transport Commission in reconstruction, modernisation, and integration fell well below the expectations of its creators.

This chapter seeks to redress these shortcomings by investigating the operation of the BTC from 1948 to 1952 – the first four years of its operation. Three fundamental questions will be raised: first, what factors affected the BTC's performance, and what efforts were made to address the underlying issues? Second, what was the impact of the external constraining factors that the BTC faced? Third, did the existence of a 'nostalgic and backward

[1] Morgan, *Labour in Power*, p. 1.

looking attitude' among the management and the workforce influence the modernisation of the transport industry?

I

The new organisational structure imposed by the 1947 Transport Act placed the BTC as the top echelon of management for the railways, and gave it a clear remit to modernise, reconstruct and induce greater efficiency in the nation's transport services. Those expectations were publicly and clearly stated by Barnes from the outset:

> The BTC will be a small body with time to think and plan the vast resources it will have behind it and it will work a revolution in the efficiency of the transport system of the country. It will have to carry out large scale expenditure in rebuilding our railway stations to make them centres of transport. Travel in this country is becoming a disagreeable thing, something to be endured to get somewhere rather than the pleasure it should be. I depend on the Commission with its wide powers to radically alter this state of affairs. There are no physical or financial reasons why we should not have the most efficient, comfortable, speedy and cheap system of transport in the world.[2]

Charged with achieving those aims as founder members of the BTC were: Hurcomb (Chairman), Sir William Wood (last President of the LMS), Lord Ashfield (Chairman of the LPTB), Lord Rusholme (former General Secretary of the Co-operative Union), and John Benstead (former General Secretary of the NUR). Wilson described them as 'hardworking, experienced, elderly and safe with no questions on the score of established reputation and long experience', but he could say nothing for their 'freshness of vision, initiative and readiness for change'.[3] Given that only one was less than sixty years of

[2] Second Reading of the Transport Bill, *HCDeb*, 431, c.1623, 16 December 1946.
[3] Ministry of War Transport, Nationalisation: Membership of BTC, 23 May 1949, MT74/141.

age and another over 70, the appointment of these men to oversee what was likely to be a protracted process to mastermind the long-term transformation of the transport industry appears questionable.[4]

Wilson's doubts were not unique. Michael Bonavia also expressed concern about the membership and character of the Commission, and particularly the manner by which it began its existence. Bonavia arrived at the BTC from the LNER as assistant to Miles Beevor (the Legal Advisor designate), and later he described how he shared his chief's incredulity at the amateurish way in which the Commission was being established.[5] Hurcomb's management style was also criticised as alien to railway employees. They had long been accustomed to the direct approach in which straightforward decisions were made, and were unfamiliar with Hurcomb's gradualist attitude in that he 'disliked over-ruling the Executives, preferring to let agreement emerge'.[6] This approach was to prove costly.

It is likely that Hurcomb was appointed as Chairman because he was considered a safe pair of hands, and as a reward for his long service in the MOT. But after a life-time in the civil service he lacked commercial experience, and was unlikely to be familiar with modern business practice. He did at least go some way towards fulfilling Morrison's requirement that appointments to the boards of the nationalised industries should be based on upholding of the best traditions of socialism – in the sense that he had, after all, been instrumental in taking the railways into public ownership.[7]

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[4] Gourvish, *British Railways*, p. 31-2.
[5] Bonavia, *History of the LNER*, p. 91.
[6] Bonavia, *British Rail the First 25 Years*, p. 35.
[7] Morrison, *Socialism of Transport*, p. 139.

Yet it is difficult to understand why the Cabinet, after its wartime experience of industry, had so little appreciation of the need for the Chairman of the BTC to possess at least some entrepreneurial flair, business acumen and understanding of commercial strategy. As Middlemas concludes, Morrison and Attlee turned out to be poor judges of managerial ability when it came to nominating the boards for transport, coal, and energy.[8]

Less than a year after nationalisation it had become clear that the BTC had serious management problems. As a result Morrison adapted his opinions and accepted that:

> The importance of a strong commission at the present time is obvious and looking at the existing members, admirable though they may be in their different ways, I should have thought that it could be strengthened by a man of Ashfield's quality with wider experience than that of the present members. He would need to be carefully chosen and it might not be at all easy to find the right man. The right course might be to find a really good business executive.[9]

Yet recruitment of an impressive man appeared unlikely, because appointments to the public corporations were not popular with those employed in business and commercial organisations. As already noted, these posts received salaries well below those expected in such quarters, attracted greater scrutiny from parliament and the media, and offered less commercial freedom. Consequently few businessmen were attracted by the particular challenges of the boards. Reporting to Barnes and Morrison on his attempts to recruit business talent to the BTC, Sir William Wood stated:

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[8] Keith Middlemas, *Power, Competition and the State, Vol.1, Britain in Search of Balance 1940-61* (Basingstoke, 1986), p. 139.
[9] Morrison to Barnes, 9 March 1950, MT96/36.

I have counselled many people without result. The main reason is that a first-class businessman cannot afford to join the Commission at £5,000pa unless he feels that his most active days are already over.[10]

Given this problem, and because of the ready availability of recently demobilised officers from the armed forces, a number of posts within the new railway organisation were filled by ex-army personnel. According to Bonavia, this contributed to the higher tier of management being named the 'General Staff', and to a mechanistic organisation which produced a rule book akin to the King's regulations – partly a code of discipline and partly a code of practice.[11] These types of appointments were not confined to the railways; the later Chairman of the National Coal Board, Lord Robens, considered similar appointments in his own organisation to have been a great mistake by Attlee, who was the guiding light in that respect.[12] Yet blanket criticism of ex-forces officers appears excessive: many clearly were capable, and if nothing else they should have offered the railways the benefits of organisational experience.

An unforeseen impact of appointment of ex-civil servants and ex-army officers was that management of the railways emphasised a view that commercial considerations were secondary to the obligatory public-service concept. In addition, experience of war-time convinced many managers and employees that the railways were an indispensable component of the nation's transport infrastructure, and would remain so despite fundamental changes in road and air transport. But even some career railway men did not consider this public service requirement incompatible with commercial

[10] Wood to Barnes, 24 March 1950, MT96/36.
[11] Bonavia, *Organisation of British Railways*, p. 172.
[12] Lord Robens, *Ten Year Stint* (London, 1972), p. 9.

management. They also assumed that the country was unable to do without the railways, and so had a special obligation towards its employees.[13]

The newly-constituted BTC met for the first time in August 1947. Three more meetings were held that month, a further five in September, five in October, four in November and two in December. Examination of the agendas and minutes of those meetings unsurprisingly reveals a preoccupation with administrative issues, for it is understandable that creation of a new organisation on the scale of the BTC required many decisions to be made on terms of appointment, salaries and titles.[14] What is remarkable is that the Commission spent a great deal of valuable time in discussing what were essentially secondary issues, best discussed by subordinate bodies – such as the logos to be used on ships' funnels and on rolling stock.

It might have been expected that the BTC would have quickly made substantial progress in pursuit of its aims. Yet in an era of rapid technical development, and despite the confident assertion that a new era would begin after nationalisation, for some years the railway's operating mentality, structure, and practice remained basically unchanged from that developed in the 1930s. In the short-term few changes were apparent to the railway traveller, other than the introduction of terms such as 'British Railways' and the 'British Transport Commission'. Even the application of this nomenclature on rolling stock and the infrastructure took many years to complete, adding to the impression that little had changed from the pre-war railway system. The RE itself recognised the tardy progress in

[13] Hardy, *Beeching*, p. 19.
[14] BTC minutes in AN85/1.

reorganisation. John Elliot (RE Chairman from 1 February 1951) observed to the Commission that 'it was generally felt that the integration of transport had not proceeded rapidly enough'.[15] That was hardly surprising, because in the BTC minutes from 1947 to 1953 there is virtually no evidence of an attempt to plan and develop the co-ordination of transport on the basis envisaged by the legislators. There are just two references to the Standing Conference on the Co-ordination of Inland Transport, but no evidence of discussion or other response to its work.[16] Although the BTC properly considered major issues such as the costing of the new Woodhead tunnel,[17] it also spent an inordinate amount of time discussing minor and detailed work, such as whether to improve the central heating at the Station Hotel in York,[18] and the supply of soap and towels on sleeper trains.[19] It is difficult to conceive the experienced directors of the pre-war Big Four railway companies becoming so entangled in the minutiae of administration which engrossed the BTC during its early years.

A further aspect of management which proved debilitating to the railways was the tension which developed between the Commission and the Railway Executive. Problems were apparent from inception, something which might not have occurred if the Commission itself, rather than the Minister of Transport, had been allowed to appoint members of its subordinate body. Perversely, although the BTC was charged with running a massive business operation, it was not allowed to appoint its most senior

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[15] Elliot to Hurcomb, 25 September 1951, AN6/6.
[16] BTC minute 3/306, 27 March 1950, AN85/3.
[17] BTC minute 4/924, 29 November 1951, AN85/4. The BTC authorised expenditure of £1,592,699 for this project. It had been planned by the LNER and contracts were placed in 1937, but work was suspended due to the onset of war.
[18] BTC minute 2/845, 30 August 1949, AN85/3.
[19] BTC minute 4/672, 21 August 1951, AN85/4.

staff. This represented a lack of proper planning of the new organisational structure, for as Gourvish points out 'in practice not only was policy-making on this crucial issue [unification of the four main-line companies] conducted hurriedly, but discussions took place in an atmosphere of some confusion, with the precise nature of the relationship between the Commission and the Executive uncertain'.[20] Again, much of the responsibility for this confusion can rest with Barnes, for when he appointed the Executive he 'failed to spell things out in the official letters of appointment'.[21] Although a number of issues were later clarified after meetings between the two bodies, certain problems were never fully resolved. Included in this was the antagonism created in the RE towards any direct approach between the BTC and the railway regions. Finance also remained 'a particularly tender subject'.[22]

Evidence of serious problems in working relationships emerged as early as July 1948 when the Chief Regional Officers (CROs) identified the issue of divided responsibility and loyalty as serious complications in management. [23] The response from the RE to these concerns was unequivocal: 'there must be no misunderstanding on such points, their loyalty and responsibility is first and foremost to the RE'. Additionally, after agreeing to meet with the CROs more frequently, the RE instructed them to discontinue their regular meetings (a policy also applied to the Assistant CROs meetings).[24] While the purpose of these decisions was probably to reduce concerted opposition to the RE's decisions, a further potential impact might have been to reduce opportunity for inter-regional co-operation and

[20] Gourvish, *British Railways*, p. 39.
[21] Ibid., p. 39.
[22] Bonavia, *Organisation of British Railways*, p. 53.
[23] Memo from CROs to RE, 16 June 1948, AN6/1.
[24] Memo by RE for meeting with CROs, 12 July 1948, AN6/1.

integration. Although the CROs complied by abandoning their formal meetings, according to Bonavia they immediately replaced them with informal luncheon meetings serving the same purpose.[25]

An important indication of the difficult relationship between the two management bodies was the strategy inaugurated by the Executive seemingly to withhold information from the Commission. It is likely that this resulted from a desire to reduce the likelihood of BTC interference in key areas of management which the RE considered its own. As a result, when instructed to supply copies of its minutes to the Commission, the RE's response from February 1948 was to introduce a system of dual minuting of its meetings. Bonavia related that from then onwards, two sets of minutes were produced: one, printed on coloured paper which were reserved for internal circulation (known as the green minutes), and a further set (the white minutes) prepared for submission to the BTC.[26] The Commission was not informed of this arrangement. According to Gourvish 'it is clear that much more important matters were discussed, in an atmosphere of secrecy, if not conspiracy, and that few of these were passed on to the Commission in the form in which they appeared'. The Executive fed 'its masters a diet of trivial operating information'.[27] This attempt to exclude the Commission from a full understanding of RE thinking and policy formation was hardly conducive to management efficiency and good relations between the two bodies.

A further cause of concern for the Commission was the expansion of the RE's staff and its associated costs, for during a time of clear financial concerns the numbers at RE headquarters increased rapidly, from 366 in

[25] Bonavia, *British Rail the First 25 Years*, p. 212.
[26] Bonavia, *Organisation of British Railways,* p. 54.
[27] Gourvish, *British Railways,* p. 48.

June 1948 to 577 by the end of 1950.[28] This unease was generated not only for financial reasons, but also because it represented an increase in the scope and authority of the RE at the expense of the Commission, and led Hurcomb to conclude that 'one thing is clear and that is the intention to avoid a statutory body between the Commission and the regions'.[29] As will be shown later, Hurcomb was instrumental in the demise of the RE.

During the first years of public ownership there was little evidence of progress in operating efficiency, and in the integration of what had been the four main-line companies into a single coherent system. These failures came to worry the Labour Cabinet, as they had wider implications in that a key argument for public ownership was that economic and social problems would be tackled more vigorously and effectively. According to Millward, the Cabinet's concerns with nationalisation were: reconstruction of the economy battered by war, investment generally in physical and human capital, and political stability and unity, including debts to Labour voters.[30] Millward might have added a further point – that public ownership also represented an essential aspect of the wider vision of the Attlee government. As Morgan stated, 'without nationalisation above all, the moral impetus of the 1945 government could not be sustained. For most members of the party and the movement, that was its ultimate justification'.[31] Whatever the ideological perspective and moral arguments for public ownership, in itself this was only the beginning: a comprehensive strategy was required in order to achieve effective integration of the nationalised industries into the wider process of

[28] RE to Hurcomb, October 1951, AN6/5.
[29] BTC minutes, 22 July 1952, AN6/6.
[30] Millward, '1940s Nationalisations in Britain', p. 228.
[31] Morgan, *Labour in Power*, p. 141.

economic management. However, as Tiratsoo and Tomlinson conclude, 'although there were examples of intervention in nationalising the railways, coal and electricity, in no way could this be considered an industrial strategy'.[32] Elsewhere Tomlinson observes that 'ultimately, Labour in 1945-51, for understandable reasons, linked to compelling day to day economic necessities, failed to establish a clear position on public ownership'.[33] This failure of an important element of economic policy has been blamed by some on the Lord President of the Council – Morrison, who was Labour's chief economic minister. According to Booth, 'Morrison lacked an understanding of economics' and 'the Lord President's Committee was an uncertain instrument of economic planning' with its 'themes varied and haphazard'. [34] Morgan was even more critical of the committee: 'this was a failure'.[35]

Against that background of political priorities and shortcomings, railway nationalisation had – as Chapter 1 argued – created a new and untried system of management without sufficient understanding of the industry and without effective consultation. The BTC was expected to oversee the integration of all inland transport, while its subordinate, the Railway Executive, was expected to integrate and manage the railways. The sheer magnitude and complexity of those functions had never been properly investigated, nor had they been fully understood by the legislators. There was also a powerful and widespread assumption that public ownership in itself would generate greater efficiency, yet exactly how such efficiency

[32] Tiratsoo and Tomlinson, *Industrial Efficiency and State Intervention*, p. 5.
[33] Tomlinson, *Democratic Socialism and Economic Policy*, p. 123.
[34] Booth, *British Economic Policy*, p. 109.
[35] Morgan, *Labour in Power*, p. 49.

would be achieved in practice was never investigated nor debated, and in consequence never fully established.

The weakness in defining the precise role of the public corporations in national economic management was accompanied by a similar absence in explaining how the management within the corporations was to operate, and how its efficiency was to be increased. Bringing the railways into public ownership had been the over-riding priority; how they were actually to operate was considered a secondary issue, receiving little attention from the planners. As Chester commented:

> There was a belief in the need for, and the virtues of co-ordination. This was particularly the case with the [Labour] Party's proposals in respect of transport but was also present in the case of the fuel and power industries. At its lowest this belief sprang from the concerns of railwaymen that their conditions were being worsened by the increasing use of road vehicles for passengers and goods. At its highest and more abstract the desire for co-ordinated transport reflected the belief that the optimum use of national resources could not be achieved by decisions taken in isolation by each form of transport but only by some overall view or plan. It was part of the current belief in national economic planning.[36]

When applied to some industries, such as coal and electricity, the argument that nationalisation would bring efficiency could be accepted as valid. Those industries operated in dispersed units, and in the case of coal had suffered a long history of conflict in labour relations. Integration appeared to offer the advantages of standardisation in operating, and in the case of electricity, of securing capital investment. But inclusion of the railways in such a category was inappropriate, because the industry was already organised on the basis of regional monopolies, labour relations were good, and there was a long history of effective control, particularly on pricing. Even so, the

[36] Chester, *Nationalisation of British Industry*, p. 21.

railways had been quickly nationalised, which meant that by the end of 1947 the Labour Cabinet had fulfilled many of its manifesto commitments. Only iron and steel remained to be brought into public ownership; but this was highly controversial, and given the difficult economic circumstances and much opposition from the Conservative party, especially in the House of Lords, it was repeatedly delayed. However, although the Labour party had achieved its long-stated aim of public ownership of industries such as the railways, a series of problems now required resolution. As a result, any celebration of the peak of socialism was tempered by a need to resolve fundamental questions in industrial and economic policies. For Brooke the very success of the Labour government in enacting its programme marked the end of one socialist path, and left the party unprepared for a new programme.[37]

As previously indicated, the financial position of the nationalised railways soon gave rise to serious unease in government. In addition, although the management was given the duty and ability to adopt a more altruistic approach than the private sector, there was a growing doubt whether the public corporation was creating any greater sense of public responsibility.[38] A particular concern among Labour ministers was that the creation of a national monopoly might produce the unforeseen consequences of reduced incentives to develop greater efficiency and lower costs:

Although it is accepted that the socialised industries must pay their way, the monopoly position makes it possible to extract from the consumer the cost of

[37] Brooke, *Labour's War*, p. 338.
[38] Jim Tomlinson, 'Mr. Attlee's supply-side socialism', p. 15, and Chick, *Industrial Policy,* pp. 92-4.

excessive office staffs and unnecessary ancillary services and other manifestations of extravagant administration. It was also considered a matter of opinion whether the most effective solutions to management have been found.[39]

This issue of monopoly power of the public corporations challenged the Labour party's thinking, yet the conflict was never satisfactorily resolved during the government's term of office. According to Cairncross, the reason was that 'since what was uppermost in their [Labour minister's] minds was the idea of social control they welcomed the monopolistic powers that nationalisation conferred on the industries concerned without questioning whether such powers were in the best interests of efficient production'.[40]

A more serious problem was the productivity of the nationalised sectors. Productivity had surfaced as a real issue during the war, when in 1941-42 supply problems of war materials generated 'growing official concern with the question of efficiency'.[41] These concerns may have been submerged by subsequent events, but they were re-ignited by the serious coal shortage of 1947, and efficiency and productivity became recurrent issues for more than a decade. Such problems were not restricted to the National Coal Board, and other nationalised industries also suffered criticism of their performance. These included the electricity industry where, owing to the lack of a proper pricing policy demand on the system grew inexorably, with sales in 1948 almost double those of ten years earlier.[42] On this Hannah concludes that the 'major criticism is properly addressed to the advocates of nationalisaton, who had given far too little attention to the

[39] CCSI minutes, 19 March 1948, CAB 134/689.
[40] Alec Cairncross, *Years of Recovery, British Economic Policy 1945-51* (Cambridge, 1987), p. 467.
[41] Tiratsoo and Tomlinson, *Industrial Efficiency and State Intervention*, p. 21.
[42] Hannah, *Engineers, Managers and Politicians*, p. 30

general question of pricing and investment rules by which the public sector should operate',[43] and 'Labour politicians, even those with training in economics, were in muddles about the issues'.[44]

All this taxed the government to such an extent that Tomlinson argues that the need to increase productivity lay at the centre of Labour's policies between the years 1947 and 1950,[45] or more bluntly that 'what the government wanted above all from the nationalised industries in this period was more of whatever they produced'.[46]

Early unease with the railway's productivity centred on increased labour costs, after it was reported to the CCSI that these had increased from £120m in 1938 [47] to £268m in 1948.[48] By then it was clear that any automatic achievement of greater efficiency through organisational economies and employee pride in public ownership had not materialised. As Tiratsoo and Tomlinson argue, those on the left including Shinwell had believed that once the stick of unemployment was removed, workers would respond positively and intensify their efforts as a mark of gratitude for the government's wider reforms. The reality was quite different; apathy rather than zeal became apparent.[49]

Even so, according to Tiratsoo and Tomlinson 'there was a belief in government circles that the key variable in relation to productivity was management', and that 'without better management, all other possible

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[43] Ibid., p. 33.
[44] Ibid., p. 34.
[45] Tomlinson, 'Mr. Attlee's supply-side socialism', p. 2.
[46] Tomlinson, *Democratic Socialism and Economic Policy*, p. 101.
[47] Figures for the railway companies and LPTB.
[48] CCSI minutes, 22 July 1949, CAB134/690.
[49] Tiratsoo and Tomlinson, *Industrial Efficiency and State Intervention*, p. 91.

reforms would fail'.[50] This thinking led to an investigation by the Baillieu Committee, which in its 1946 report recommended the setting-up of the British Institute of Management (BIM). This was duly implemented, and after its inauguration by Cripps on 21 April 1948, it became an element of government strategy for the nationalised industries.

A further aspect of this thinking on ways to improve management performance was developed in 1948. Morrison began to organise meetings between himself and the chairmen of the boards of the nationalised industries in an attempt to disseminate information on good practice. However, this move appears to have been ineffective, with Donald Fergusson, Permanent Secretary of the Ministry of Fuel and Power, expressing the view 'that meetings with all board chairmen are useless – one gets down to the lowest common factor of agreement, which is pretty low indeed'.[51] Morrison was not deterred. He produced a paper on possible ways to improve management, productivity and accountability, which included development of a shared efficiency unit for the nationalised industries and use of outside consultants appointed through the BIM.[52] Perhaps predictably, the chairmen of the nationalised industries – and especially Hurcomb – were hostile to these proposals and 'objected strongly'.[53] In addition, while they accepted that independent enquiries into the workings of the industries were desirable, they felt that these should be held at the fairly long intervals of approximately seven years. This response effectively negated these proposals, because such an extensive time-lag

[50] Ibid., p. 43.
[51] Fergusson to Morrison, 29 August 1950, CAB21/2322.
[52] Efficiency and public accountability of the socialised industries, 16 October 1950, CAB21/2322.
[53] Donoughue and Jones, *Herbert Morrison*, p. 460.

ensured that government priorities, and possibly even the government would change, as that time period would contain at least one general election. Hurcomb also proved unsupportive to the idea that the BIM could improve matters, and initially refused to pay the full subscription to the Institute on the grounds of the parlous financial state of the railways.[54]

A further attempt to resolve these issues was through the creation in 1949 of a Cabinet Productivity (Official) Committee (CPC). This committee produced a lavish and extensive report, which argued that the way to increased productivity was through an extension of controls and intensified publicity. It also concluded that many workers connected increased productivity with 'nigger-driven methods' (sic), but discounted the use of such methods as impracticable. Rather, it stressed the need for mechanisation, healthy industrial relations, and sound technical management. [55]

The CPC also hoped that the development of good management practice could be stimulated by using the experience of successful private companies, including foreign ones. However this raised certain questions: were the models from the private sector relevant to the problems of the nationalised industries? and what did this imply about the purposes of nationalisation?[56] Regardless of these questions, two elements were pursued. First, an examination was made of the organisation and management of four large companies: General Motors Export Co., Standard Telephone and Cables Ltd., ICI, and Unilever. The second was use of the United States Technical Assistance and Industrial Productivity in the UK

[54] Hurcomb to Barnes, 24 October 1950, CAB21/2322.
[55] CPC First report, OP (49) 313, September 1949, T229/828.
[56] Tiratsoo and Tomlinson, *Industrial Efficiency and State Intervention*, p. 122.

Council, more widely known as the Anglo-American Productivity Council (AAPC). This had been set up under the American Economic Co-operation Administration (UK Section) under the technical assistance provisions of the Marshall Plan. The overall aim was to persuade management of industrial concerns (not just the nationalised industries) to adopt relevant aspects of US practice through dissemination of information and a personnel exchange programme.[57] Productivity was seen as an important element of this approach and various means of achieving it were examined, including the use of standardisation and simplification of working practices. However, the potential success of these investigations was severely limited from the start because the British participants ruled out any inquiry into certain areas, notably restrictive practices (by both firms and labour), despite the American view that these were likely to be important in explaining Anglo-American differences in productivity.[58]

Some of the conclusions from this exercise were revealing: it soon became clear that the issue of productivity remained relatively unimportant to British industrial practice. The US representative of the AAPC (Silberman) had discovered that in the UK 'very little is understood about productivity and almost nothing is being done by industry to improve things'.[59] According to Tiratsoo and Tomlinson, 'the AAPC message was not always received with either favour or enthusiasm' and there was also criticism regarding the reciprocal visits to America where some delegates 'were impressed as much by the USA as by the diesel locomotive industry itself'.[60] The conspicuous

[57] CPC, 22 September 1949, T229/828.
[58] Tiratsoo and Tomlinson, *Industrial Efficiency and State Intervention*, p. 134.
[59] Nicholson (Board of Trade) 25 June 1948, BT70/292.
[60] Tiratsoo and Tomlinson, *Industrial Efficiency and State Intervention*, p. 157.

lack of success of the AAPC can be ascribed to the fact that the context of Americanism was always ambiguous, for the AAPC was created for a political purpose as much as to raise productivity.[61]

Closely related to the productivity issue in the nationalised industries were problems with labour relations. It had been confidently expected by Labour ministers that public ownership would promote a sense of responsibility and encourage initiative.[62] Certainly before nationalisation the rhetoric emanating from Labour politicians suggested the possibility of movement towards industrial democracy. This did not occur, 'Cripps had been an enthusiast for involving the worker, but other ministers were less enthusiastic'.[63] The trade unions also had high hopes from public ownership, and as Bagwell reported 'exalted hopes had been centred in the nationalisation of transport by many of the union's stalwarts and disillusionment was perhaps inevitable when the expected improvements did not materialize very rapidly'.[64] As a result the NUR consistently opposed the Morrisonian concept of the public corporation.[65]

Despite these labour problems, there was reluctance by management to act decisively on 'human relations' issues. In Tomlinson's words 'as was typical of this period, ministerial enthusiasm to do something was not matched by the boards of the nationalised industries, where there was resistance to any form of inquiry into "human relations" in the industry'.[66]

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[61] Ibid., p. 142.
[62] *Post-War Organisation of British Transport*, p. 23.
[63] Tiratsoo and Tomlinson, *Industrial Efficiency and State Intervention*, p. 91.
[64] Bagwell, *The Railwaymen*, p. 619.
[65] Tiratsoo and Tomlinson, *Industrial Efficiency and State Intervention*, p. 119.
[66] Tomlinson, *Democratic Socialism and Economic Policy*, p. 303.

These difficulties with the management and performance of the newly nationalised industries had not been expected by Labour ministers, and the problems they encountered showed them very clearly that public ownership was not necessarily the panacea they had previously believed. As a result, and as early as 1946, the Labour party NEC called for a review of nationalisation policy.[67] In 1948, the resulting deliberations on this led the architect of nationalisation, Morrison, to 'become attracted to the concept of "consolidation", which meant that Labour should not pursue further nationalisation, but should devote itself to digesting reforms that it had already introduced and especially to creating a better image for the existing nationalised industries'.[68] However, in the Labour party this 'revisionist' view was not universally shared, and when Morrison first raised the issue at the Party Conference in Scarborough in 1948, not all delegates were enthusiastic, and not all cabinet colleagues were happy.[69] Furthermore, as Chick points out, serious disagreements on pricing policy between the Minister of Fuel and Power and the British Electricity Authority, made even Morrison's faith in the public spirit of the board of a public corporation look suspect and fragile.[70] The consequence of this and other emerging difficulties between ministers and boards led Morrison to conclude in 1950 that 'the Boards have not fulfilled our hopes and there is a great deal of disillusionment even among supporters of the principles of socialism'.[71] This undoubtedly contributed to the decision to delay further moves towards public ownership, and to the Labour leadership's concentration on

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[67] Tomlinson, *Government and the Enterprise Since 1900* (Oxford, 1994), p. 201.
[68] Donoughue and Jones, *Herbert Morrison*, p. 442.
[69] Ibid., p. 442.
[70] Chick, *Industrial Policy in Britain*, p. 97.
[71] Meeting with Chairmen of Boards, June 1950, CAB21/2322.

'consolidation'. It was this which led Morgan to conclude that by 1951 there was a 'retreat from Jerusalem'.[72]

II

Management issues were not the only problems facing the BTC. As Gourvish notes, 'the early years of nationalisation were a bleak period in terms of investment, and many writers have traced some of the railway's enduring problems to this situation'.[73] While it may be widely agreed that a series of post-war economic crises constrained investment in the railways and the other nationalised industries, the real issues are how, why, and – most important – to what extent?

Chick accepts that although the early years of Attlee's government saw specific failures in the allocation of resources and co-ordination, there is no statistical evidence to support the view that economic modernisation was sacrificed to the needs of the health and social security programmes.[74] This argument is supported by Cairncross, who argued that Barnett's 'New Jerusalem Thesis' is badly out of focus and that food subsidies cost more than any social services and eventually reached £500m by 1949.[75] The most compelling analysis of the constraints which explain the lack of success in economic management and reform, of which the nationalised industries were a vital element, is by Tomlinson. He concludes that the Attlee government's performance in economic management and reconstruction was at best patchy, because of what he calls an 'iron quadrilateral'. This

[72] Morgan, *Labour in Power*, p. 463.
[73] Gourvish, *British Railways*, p. 68.
[74] Chick, *Industrial Policy in Britain*, p. 8.
[75] Alec Cairncross, *The British Economy since 1945* (Oxford, 1992), p. 5.

represented a combination of political doctrine and assumptions which were influenced by forceful micro-economic issues. The four bounding assumptions were: commitment to parliamentary sovereignty; consensual tripartism between government, employers and unions; free collective bargaining over wages, and the Morrisonian form of public corporation.[76]

An essential element in Tomlinson's critique is the contention that the Labour-designed structure for the public corporation proved inconsistent with running the industries more effectively, and at the same time requiring them to be central to a planned economy. These inconsistencies were never satisfactorily overcome, particularly those between the use of the independent expert manager and the need for the industries to remain free from day-to-day interference by the relevant minister.[77] Within the nationalised industries, concern with operating independence became secondary when a series of economic crises led to changed priorities, which resulted in restrictions on large-scale investment as well as postponement of the government's plans for iron and steel nationalisation.

From the outset investment planning was a major aspect of policy for the Attlee governments, not simply to direct the pattern of investment, but to encourage exports and prevent employment problems caused by economic downturns. In the main, restrictions were imposed through allocations of the fifteen main raw materials to the extent of 94% by value in 1947, falling to a still significant 47% in 1950, and rising again because of the Korean War to 64% in 1952.[78]

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[76] Jim Tomlinson, 'The Iron quadrilateral: political obstacles to economic reform under the Attlee government', *Journal of British Studies*, 34 (1995), p. 110.
[77] Ibid., p. 106.
[78] Cairncross, *The British Economy since 1945*, p. 69.

The Cabinet accepted in 1949 that the railways would benefit from 'heavy investment not simply for maintenance, but also to take advantage of new developments, to reduce operating costs and make up for the ravages of war'.[79] Even so, restrictions on steel supplies for the railways continued throughout the course of Attlee's governments, largely because the relatively positive condition of the railways at nationalisation allowed the Economic Planning Board to decide that 'as a temporary measure the railway's reconstruction programme should be kept to a reduced level'.[80] These restrictions could hardly be considered excessive: the 1949 planned allocation of 1million tons of steel was only reduced to 810,000 tons. It is likely that this relative generosity was influenced by the fact that track replacement generally recovered well over 70% of its weight in high-quality scrap steel, which allowed straightforward recycling. The BTC received over 80% of its planned requirements, representing a substantial 6·7% of all national steel allocations.[81] This allowed the BTC a considerable investment resource for reconstruction and modernisation, particularly when the decision was taken to concentrate the whole of the shortfall on the wagon-building programme, where there was already an excess of supply.[82]

In practical terms the impact of macro-economic problems became more acute after the devaluation of sterling on 18 September 1949, and consequent cuts in public expenditure. Understandably, the effect of devaluation was a preoccupation with the balance of payments: continuing heavy deficits were expected, which could be financed only through an

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[79] IPC, Cabinet report on investment, 12 December 1949, p. 45, CAB132/212.
[80] Economic Planning Board Survey 1949, CAB134/212.
[81] Departmental steel allocations 1946-49, CAB134/475.
[82] *BTC Annual Report and Accounts 1949*, para. 22, p. 17.

exceptional export performance generated from increased productivity. Uncertainty about the balance of payments was an ever-present limitation on policy, particularly as Attlee's government was not prepared to countenance mass deflation. Consequently investment remained strictly controlled, particularly for steel, as its allocation was a key instrument of economic planning.[83]

Constraints on investment continued, and even increased following the outbreak of the Korean War in 1950, with the need for rearmament and the decision to send armed forces to the war zone. This action was controversial to such an extent that Morgan considered it 'served to exacerbate other divisions opening up in the party and the labour movement in the latter months of 1950'.[84] Tomlinson concluded that 'the risks taken by re-armament were enormous, and the economic arguments seem to have been overborne by what can only be called an emotional desire to impress the Americans on the part of Gaitskell and the majority of the cabinet'.[85] Dow concludes that 'the main disadvantage of the defence programme was undoubtedly the burden it was to impose on the economy over the next decade; and this was to become only gradually apparent.'[86] Whatever the rationale behind rearmament and the Korean War, it resulted in a further policy adjustment – to shift the focus of production towards aircraft, military vehicles and ships, generating a reversion to a partial war economy with some direct controls. It also resulted in a ranking system for the allocation of resources which gave equal priority to defence requirements and to dollar-

[83] Chick, *Industrial Policy in Britain*, p. 42.
[84] Morgan, *Labour in Power*, p. 435.
[85] Tomlinson, *Democratic Socialism and Employment Policy*, p. 287.
[86] Dow, *Management of the British Economy*, p. 64.

earning exports, followed by Commonwealth exports, and leaving domestic demand as last.[87] For the railways the impact was continued control on investment materials earmarked for reconstruction, and, as the defence programme took priority, a reduction in previously agreed allocations. Again steel supplies were the main casualty, with allocations once again reduced by 20%. Overall the Cabinet Investment Committee imposed cuts in capital expenditure for the railways of £3m in 1951, £6m in 1952 and £6·4m in 1953.[88] Restrictions on steel supplies could be alleviated through a slowdown of investment, but for industry and the railways the coal shortages had a more immediate impact upon operating capability. The already difficult economic situation of 1947 was aggravated by a winter of almost unprecedented severity and length, during which coal supplies were seriously restricted. Morgan described the overall effect as 'a year of almost unrelieved disaster'.[89] Although such weather conditions experienced in early 1947 could not have been anticipated, according to Tookey the Attlee government's assertion that the coal-supply problems were solely a function of the severe weather cannot be sustained. A crisis in coal availability had been predicted for some months, and insufficient supplies were producing problems for industrial production even before the bad weather began.[90] Whatever the causal factors, the effect upon industrial output was dramatic, and the consequent damage to exports exacerbated the existing gold and dollar deficits.

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[87] Ministry of Supply, 16 August 1950, T229/846.
[88] Report on Capital investment for the Cabinet, Appendix 12, IPC (51) 1, March 1951, CAB134/214.
[89] Morgan, *Labour in Power*, p. 331.
[90] Tookey, 'Three's a crowd?' p. 507.

These coal shortages also impacted on the railways in a more direct manner, with the creation in late 1947 of the Winter Transport Executive Committee (WTEC), chaired by James Callaghan. Its remit was:

> To consider and keep under review freight transport problems likely in the winter of 1947-8, and to formulate a general policy designed to ensure that available transport is put to the best use and in particular that priority at all stages of transport is given to traffic in accordance with its importance in the national interest.[91]

Surprisingly, the Committee, apart from its politician chairman, was comprised entirely of civil servants with a complete absence of transport professionals. Its sole function was to direct transport planning in an attempt to avoid repetition of the problems encountered by snow blockages during the previous winter in early 1947. Then, the problems with coal supplies had been intensified by the railway's inability to offer effective transport services. The WTEC solution was to persuade many traders to use road transport rather than rail during the forthcoming 1947-8 winter. Numerous companies duly obliged, including the Post Office which sent 200,000 tons of engineering stores by road, and increased its road fleet by 200 vehicles.[92] However, this attempt to alleviate potential transport problems backfired when the winter of 1947-8 was relatively mild, and the resultant loss of trade for the railways was considered by the BTC to be a contributory factor in the disappointing results for 1948.[93] In addition much of the trade persuaded to move from railway to road transport was never recovered.

A further issue accompanying and aggravating these difficulties was the impact of a general labour problem. Contrary to all expectations the post-

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[91] Winter Transport Executive Committee 1st meeting, 14 November 1947, MT6/2828.
[92] Barnes to CCSI, 27 July 1949, CAB134/690.
[93] *BTC Annual Report and Accounts 1948*, para. 21, p. 12.

war period produced not unemployment but a labour shortage, which became particularly acute after 1947. Four years later the problem remained considerable, with the Cabinet Committee on Productive Capacity reporting that 'there are virtually no reserves of labour except within the development areas and in a few unemployment pockets elsewhere'. In addition it concluded that 'female labour is also scarce in most areas'.[94] Consequently, in conjunction with the export drive, the government made great efforts to expand the labour force through various means. It encouraged women to return to the workforce (many married women had ceased work at the end of the war), and promoted immigration from parts of the Empire, particularly the West Indies. For the transport industry immigration appeared almost the only solution to its labour shortages, and BR and London Transport sponsored 4,500 immigrants from Barbados. These efforts may have resolved local shortages on the railways, but the introduction and deployment of immigrant labour raises certain questions about the effectiveness of management. Incorporating the new personnel created unforeseen effects, which led to the voicing of concerns and the possibility of industrial action from members of the railway workforce with ingrained working traditions. This related to the expectation that working on the railway was more than a job, but a way of life in that the proper development of the requisite knowledge of complex safety issues and technical skills could only be achieved through a lifetime of service. An additional factor was that traditionally promotion had been relatively slow and required the accumulation of extensive experience in lower-paid grades. For example, a fireman on a steam locomotive would

[94] Cabinet Committee on Productive Capacity, 7 April 1952, T230/194.

normally have risen from engine cleaner to passed cleaner,[95] and only after gaining considerable experience in that role, be promoted to fireman. This process allowed young employees to gain both the competence to fire locomotives, and importantly time to develop the physical fitness required for such a taxing job. The introduction of untried and unfit employees to fill such vacancies created problems. For example engine drivers at Stratford locomotive depot in east London complained that coloured firemen were unfit for their duties, and so placed an unfair burden on themselves. The drivers went to great lengths to stress that the issues were fitness and competence, not race or colour. But the labour reporter from *The Times* concluded that the real reason for discontent was that few of those involved intended to remain in railway service.[96] The drivers were unhappy about the considerable effort expended on supporting and training the new recruits, who were then likely to leave railway service in the near future, requiring the process to be repeated.

During this period of a national shortage of labour, the effect on railway recruitment was generally localised, with the main problems experienced in attracting sufficient staff in London and other provincial centres such as Birmingham. However, the overall impact was far from localised, as according to the BTC these labour shortages reduced the working capacity of parts of the railway network, due to lack of staff in key grades.[97] That particular problem was to prove protracted, particularly in parts of the country where opportunities existed for alternative employment which offered better wages and conditions. This issue of working conditions

[95] Passed to fire locomotives under certain controlled situations.
[96] *Times*, 26 October 1956, p. 3.
[97] *BTC Annual Report and Accounts 1950*, para. 377, p. 130.

was particularly important to drivers and firemen, for the footplate of a steam locomotive was hot and dirty. And being a fireman demanded considerable physical stamina – one had to be capable of shovelling tons of coal in adverse conditions. These labour issues have wider implications for the assessment of the leadership of British Railways in these years. The RE might usefully have given more weight to the problems of recruiting and retaining footplate staff in its motive power policy. Instead, these problems persisted almost until the end of steam traction on BR in 1968.

Two further questions which faced the BTC in the process of adaptation to public ownership were the requirement for public accountability, and its relationship with government. Nationalisation had altered the mechanics of the relationship between government and railway management, from an arms-length regulatory position to one which allowed greater opportunity for direct government intervention. In general the precise boundaries between the powers of the minister and those of the nationalised industries boards became an area of dispute, and 'a cause of rumbling discontent'.[98] Within transport, this issue appeared to have been clarified by a MOT Working Party set up in 1947 to interpret the Transport Act, to clarify its requirements and to issue directives to the BTC regarding policy and management. It produced the clear and unambiguous statement that:

> The intention embodied in the legislation has been that the Board should be set up to run the industry on commercial lines on behalf of the community. The Minister concerned has a responsibility for the general efficiency of the Board which cannot be judged from isolated facts but which must be judged as a whole. The Minister is

[98] Tomlinson, 'Iron quadrilateral', p. 107.

not responsible for day to day administration. The Government regard this large degree of independence as vital to their efficiency as commercial undertakings.[99]

So, although government control of the nationalised industries was considered an essential element of national economic policy, it was not anticipated that this would lead to regular intervention and everyday supervision. In addition, parliamentary sovereignty required that industries were not run by special interest groups but by experts appointed on grounds of competence, and accountable to parliament through the minister. However, in practice ministerial and parliamentary responsibility for the general direction of the industry led to wider intervention, prompted by greater scrutiny, mainly but not exclusively through parliamentary accountability. The extent of this was substantial with, for example, 77 parliamentary questions were raised on some aspect of the BTC's operation during the 27 weeks that the House of Commons was in session in 1950. Yet complaints from MPs concerning details of fares (other than those which affected the whole community), operations and management, were expected to be raised directly with the BTC. As a result, during 1948 Hurcomb's office replied to over 3,000 letters from representative bodies and members of the public.[100] Railway nationalisation and its associated accountability therefore created an additional heavy administrative burden on both the BTC, and the Minister of Transport.

Initially relations between the Minister of Transport and the BTC appeared cordial, something hardly surprising given that Hurcomb had worked closely with Barnes during the war, and later on the nationalisation

[99] Points on policy for the BTC, 25 August 1947, MT74/193.
[100] *BTC Annual Report and Accounts 1948*, para. 20, p. 11.

proposals. That position was reflected in the first BTC Annual Report which stated that:

> The Commission received no formal directions from the Minister of Transport under powers executable by him under Section 4 of the Transport Act of 1947. Nevertheless the Commission has maintained the closest contact with the Minister. Personal consultations have taken place with him on many important questions and he has been regularly kept informed of the Commission's work.[101]

This initial cordiality soon dissipated, undermined by increasing tension on financial issues, notably proposed increases in fares and charges. The revenue accruing from those was fundamental to the management of the railways, and basic to its financial performance. Another major financial concern related to labour costs, because the railways were a major employer and concern on this issue had heightened by the end of 1950. By then there had been a substantial increase in the number of railway employees – at the end of 1950 there were 620,000 compared with 550,000 in 1938. This rise was attributed to the introduction of the 44 hour week, increased holiday provision, improved conditions and attempts to catch up on arrears of maintenance.[102] Other costs also contributed to the railway's financial problems, which became so considerable that in September 1948 the Cabinet were warned that the BTC was in serious financial difficulties. Increased costs of coal and steel were identified as further contributory factors, the impact of which was exacerbated by lower receipts from passenger and general merchandise traffic. As a result Attlee instructed Barnes to prepare a paper on making the BTC solvent, even while observing that the Economic Section of the Cabinet Office believed it would be

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[101] Ibid., para. 16, p. 9.
[102] Financial performance of the BTC 1950, CAB21/2241.

impossible to run the railways at a profit because of the high proportion of fixed costs which had to be met.[103] Little progress was made, for in July 1949 Barnes again drew attention to the railway's serious financial situation, and indicated that it was expected to deteriorate.

However, any attempt to mitigate these financial problems through raising fares required the BTC to submit its proposals to the Transport Tribunal. This body was created under the 1947 Transport Act, and was the successor to the Railway Rates Tribunal. It was designed to protect the public interest, tended to be measured and unhurried in its deliberations, and was notably slow in reaching decisions. It might have been thought that under all the terms and apparatus of public ownership, railway managers would have been trusted to set appropriate fares and charges. Yet government requirements continued to impose almost identical financial constraints to those experienced under private ownership by the Big Four. It meant that a public corporation argued for fair treatment from government on the exact grounds argued by the earlier private railway companies. This perceived unfairness was outlined by the BTC in its 1950 Annual Report:

> Experience of the Transport Tribunal has shown that its activities can be prolonged and emphasises the public accountability of the Commission to a degree which has no parallel in the statutory obligations of the other nationalised industries.[104]

Moreover, in government there was concern about the impact of increases in fares and freight charges. It was believed that these would adversely affect the export drive, and fall most severely on the basic industries such as coal,

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[103] Note from PM's office (CP. (48) 213), 28 September 1948, CAB21/2241.
[104] *BTC Annual Report and Accounts 1950*, para. 9, p. 8.

steel and agriculture.[105] Even so, an increase of 16% in freight rates was allowed in April 1950. This was not sufficient to cover continually increasing costs, and in March 1951 the Commission sought to raise fares and rates again, this time through the introduction of an integrated system of transport charges. Gourvish considered that this was justified: 'there was certainly a case for some adjustment to railway fares in spite of the risk of losing traffic to the roads', especially given that the level of average fares in 1951 represented a fall of 23% in real terms since 1948.[106] As a result the Commission applied to the Transport Tribunal – without prior consultation with the Minister of Transport – to implement its new scheme, which incorporated increased fares and freight charges. However, these proposed increases were vetoed by the Cabinet as they were felt to conflict with the national interest. Financial constraints were implicit in the legislative framework, given the requirement that charge increases were to be agreed through the Transport Tribunal. But beyond that it now emerged that there was a ministerial expectation of prior notification and acceptance of those increases. Such acceptance was not always forthcoming, because of the way the government subordinated the concerns of the railway industry to its pursuit of wider economic aims. As a result, it became clear that the BTC was unable to act independently on charging issues. In some consternation, the BTC defended its actions to MOT officials:

Your Minister has frequently told the Cabinet that the day was coming when the Government would have no direct concern with fares and charges which would be settled between the Commission and the Transport Tribunal. This conception also appeared in the report of the MOT Working Party on the Socialisation of Industries

[105] PM, 8 March 1950, CAB21/2241.
[106] Gourvish, *British Railways*, p. 101.

Committee. There seems to be little doubt that some ministers want to exercise a right of veto on the applications being made by the Commission to the Tribunal for increased fares and charges. There was an even clearer example of the same thing at the Cabinet on Monday when the careful assumption of responsibility in certain directions was simply brushed aside and the Commission's intention to take certain actions on their own responsibility was treated as a form of proposal which Ministers could accept or reject.[107]

The outcome was a dispute on the boundaries of the powers of the Minister in dealing with the railway industry. The dispute took many years to resolve, and extended beyond fares and charges to include wage bargaining.

In addition, the BTC was financially and commercially disadvantaged by a further legislative requirement considered to be in the public interest: the need to publish all charges, including special rates agreed with traders. Historically this had developed to protect the public from the potential abuse of railway monopoly power including unfair and excessive charging and preferences for certain customers. But it had a further effect: competitors such as road transport were aware of the railway charges, and so could structure their own charges to be highly competitive. The Big Four companies had always maintained that such regulation on fares and charges, rather than their operating costs, had been responsible for their disappointing financial position. After nationalisation that argument gained greater credence, particularly when the railway's financial problems became apparent during its first year of operation as a public corporation.

There was however one area where Barnes was able to report some improvement to the railway's financial position: a reduction in pilferage costs. The problem of loss of goods through employee stealing had cost the BTC

[107] BTC to MOT, 14 March 1951, Cabinet Office, Transport: Increase in railway freight, docks and canal charges. File 31/7/3, CAB21/2241.

£780,000 in the first quarter of 1948, a figure which fell to £548,000 in 1949. The scale of such losses was considerable, as the annual sum was equivalent to approximately 10% of the interest payable on British Transport Stock.[108] There was a further cost too, in that the extent of theft persuaded a good many traders that road transport offered a more secure means of moving their goods.

As with any business organisation, the railways faced the need to balance costs and receipts. However, Barnes and the BTC tended to emphasise the increase in costs, rather than accept that there was also a serious issue with receipts. These had fallen from £349m in 1947, to £336m in 1948 and £324m by 1949, with the estimate for 1950 at £319m. A major element of that decline was a fall in passenger traffic,[109] something that should have prompted the BTC into urgent remedial action. Yet its response was almost insignificant: the closure of certain branch lines and stations produced savings calculated at only £227,000 pa, against an estimated weekly deficit of £500,000 and the loss on Consolidated Revenue Account of £28·8m.[110] That it did not act more quickly and effectively to resolve such issues only compounded the problem, and later led to the need for more extreme action.

The 1947 Transport Act therefore imposed restrictions and obligations on the BTC which resulted in unforeseen complications and consequences. During preparations for nationalisation, the CCSI's main concern was not with possible deficits so much as expected surpluses; it even considered whether the Minister of Transport would need special powers to issue

[108] Barnes to CCSI, 22 July 1949, CAB134/690.
[109] Financial performance of the BTC 1950, CAB21/2241.
[110] *BTC Annual Report and Accounts 1949*, para. 51, p. 33.

directions on the disposal of surplus revenues.[111] The reality turned out to be quite different, and the financial difficulties of the railways produced a greater level of intervention in the affairs of the BTC than had been anticipated.

III

The creation of the BTC was, then, flawed in terms of both management structures and clarity of authority between itself and government. While these problems explain why certain issues were unresolved, they do not satisfactorily account for lack of progress in other areas such as traction policy and labour issues – where restructuring of traditional practices and thinking among the railway workforce was necessary. Why the BTC was unable to successfully implement these changes is a question of some importance, because it had significant long-term repercussions.

A key aspect of management is to adapt competencies and to reconfigure skills in order to compensate for changes in the external environment. For the railways at the point of nationalisation, such change was vital as the period was one of rapid technical development which offered management significant opportunities for fundamental improvement to many aspects of operations. It will be argued that such opportunities for change were not taken. For this, various factors were involved. One is outlined by Bonavia, that of entrenched loyalty. 'There was still a good deal of nostalgia for the old railway companies', with the effect that 'the Railway Executive's attempts to impose new standardised practices met in some cases with scarcely-veiled opposition'. Bonavia adds that the RE's own 'outlook was

[111] CCSI minutes, 11 January 1946, CAB134/687.

also felt to be insufficiently progressive'.[112] This problem of 'nostalgia' was widespread and influential at all levels of management. Aldcroft similarly commented that there was 'a reluctance to break with past traditions, a result no doubt of the inherent prejudices to new ideas on the part of many former railway company staff working in the Commission'.[113] Indeed, according to Quail the problem was also apparent in the organisation and control of the financial functions of the railway industry. He argues that despite the financial crisis which engulfed the railways, and even with strong support from the highest level of management, the attempt to introduce advanced management-accounting techniques was defeated by the railway's organisational structure and culture.[114]

This resistance to change was most obvious in the Western Region, where a GWR approach endured despite repeated attempts to promote reform through a succession of changes in personnel at all levels, reaching up to the Regional Manager. GWR policies for locomotive design, signalling and operating practices were perpetuated. The Western Region was also slow to use a new range of BR standard steam locomotives; after minor faults were found in the region's allocation of these locomotives, they were stored for many months before completing rectification work. In addition, regional management also appeared to adopt a nostalgic approach to the Big Four predecessors through the preservation of historical features, notably locomotives from those companies. This was not confined to the

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[112] Bonavia, *Organisation of British Railways*, p. 56.
[113] Derek H. Aldcroft, *Britain's Railways in Transition: The Economic Problems of Britain's Railways since 1914* (London, 1968), p. 145.
[114] John Quail, 'Accounting's motive power, the vision and the reality of management accounting on the railways to 1959', *Accounting, Business and Financial History* 16, (2006), pp. 419-446.

Western Region, for a substantial collection of preserved LNER locomotives was accumulated in York.[115] Likewise in Scotland, old locomotives were restored to their original condition and livery, before use on special trains. While such practices could be legitimately presented as good public relations, the cost could hardly be justified given the precarious state of the railway's finances and a backlog of overhaul of other rolling-stock.

Nowhere was this lack of forward thinking more apparent than in motive power which was fundamental to all aspects of railway operations; this effectively defined operating parameters and efficiency. Yet the decision made during the early years of the nationalised system to eschew the potential benefits of technical change from steam to diesel traction had significant long-term repercussions for costs, investment, and operating. This decision is all the more surprising given both the pressures of recruiting footplate staff, and the earlier movements towards modernised traction. Before the war the Big Four had all anticipated widespread dieselisation and electrification, and the LMS and SR had both introduced prototype main-line diesel locomotives. In addition diesel shunters had been used and built by the Big Four since 1934, and these were also widely available from outside manufacturers.[116] The BTC might have built on that experience, and with a forward-looking approach towards motive power begun the process of railway modernisation. In April 1948 Wood did submit a paper to the BTC on the relative costs and merits of diesel and electric traction.[117] But this

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[115] In effect the forerunner of the National Railway Museum.

[116] British Railways inherited 54 diesel shunting locomotives from the Big Four and during 1948 took delivery of 13 more previously ordered by them. Chris Banks, *British Railways Locomotives 1948* (London, 1990), pp. 110 and 191.

[117] Wood to BTC, relative merits of electrification and dieselisation of the railways, 10 April 1948, AN89/1.

opportunity to develop a positive strategy was not taken: despite plentiful evidence from abroad and in the railway press of the efficiency gains, there was no great interest in dieselisation. Instead the BTC prevaricated. Hurcomb responded by writing to the RE Chairman, Sir Eustace Missenden to request an examination of future traction policy with particular regard to economics of operation.[118] This did produce an RE committee to 'investigate from the economic angle, the future balance of advantage between the various types of motive power for use on British Railways'.[119] Yet this committee was not established by the RE until the end of 1948, and it then took more than two years (until October 1951) to deliver its findings. Moreover, its membership did not include Robin Riddles, the RE member with responsibility for traction and effectively Chief Mechanical Engineer of the railways, charged with maintaining and improving equipment. Not only did Riddles guard his responsibilities obsessively; he was also in a position to pre-empt the committee's findings. He was not prepared to investigate ideas and experience about locomotive design and traction from France and particularly the USA, where diesel traction had become pre-eminent. Instead, before the Motive Power Report was completed, Riddles decided to continue with the development of steam traction.

Gourvish, in common with other historians of the subject, considers this decision by Riddles and his team 'controversial',[120] but he does not offer any explanation on why the BTC sanctioned considerable expenditure on this outdated form of traction. It is indeed the case, as Gourvish did observe that 'in such discussions [on motive power], the broader environment in

[118] Hurcomb to Missenden, 13 April 1948, AN88/77.
[119] RE Confidential report on types of motive power, 1951, AN88/77.
[120] Gourvish, *British Railways*, p. 87.

which technical decisions were made has rarely been outlined'.[121] Even when the RE motive power report became available in 1951, Riddles disagreed with its strong recommendation for a large-scale pilot scheme of diesel traction, and effectively ignored it.[122] One reason was his claim that 'although diesel traction was ideal for shunting purposes, electrification was the natural inheritor of steam for main-line services'.[123] Yet this was contrary to experience in the USA. His main argument was the cost of importing oil, given the ready availability of domestic coal supplies. Yet the experience of 1947 should have demonstrated the possibility of periods of severe coal shortages, and more particularly reduced availability of good-quality steam coal. So serious had the 1947 shortfalls in coal supply been that the government insisted that the railway companies convert a large number of steam locomotives to burn fuel oil. The capacity to provide the required oil was available, because resources had been directed towards domestic oil refining in the expectation of purchasing the crude oil in sterling, and selling the refined product in dollars.[124] Nevertheless, this decision to convert coal-burning locomotives to oil-fired turned out to be a substantial waste of resources: only a few locomotives were converted, and the extensive and highly expensive infrastructure which had been constructed to support the scheme was left unused.

Despite both the coal-supply problems and government pressure to use oil, Riddles insisted that BR was not ready for large-scale dieselisation. Consequently he proceeded with the design and development of a range of

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[121] Ibid., p. 87.
[122] Riddles to RE, response to the 1951 motive power report, 23 January 1952, AN88/77.
[123] Gourvish, *British Railways*, p. 87.
[124] Chick, *Industrial Policy in Britain*, p. 55.

standard steam locomotives of arbitrary power classifications for all regions of British Railways. Yet at first nothing was done to stop continued construction of designs originating from the Big Four. From 1948 to 1953 a total of 1,487 steam locomotives were built to these old company designs.[125] Perhaps the most remarkable case was the order in 1951 to supply the North Eastern Region with 28 steam-tank shunting locomotives to a design of 1899 – even though diesel shunters had a long history of use on the region, and were available to a proven design.[126] Between 1951 and 1960 British Railways produced 999 steam locomotives to twelve standard designs.[127] These were generally accepted as offering nothing in operation that could not be bettered or equalled by the former company designs of twenty years previously, and incorporated nothing new on US designs of forty years earlier. Some were simply a revamp of LMS designs. Moreover, the versatility of the steam locomotive was such that it was not necessary to have as many as 12 different types in what was supposed to be an integrated system. This essential point had been appreciated as early as 1935 by E. S. Cox, Riddles' chief assistant, when he concluded that no more than four or five types could do the whole of the work on the railways.[128] Yet, inexplicably, fifteen years later, Cox himself was instrumental in designing and producing the twelve standard types, using a massive amount of technical manpower and other resources. Almost all of these locomotives had a very short life: the majority were withdrawn prematurely, when eventually dieselisation proceeded rapidly.

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[125] Gourvish, *British Railways,* p. 87.
[126] James Lowe, *British Steam Locomotive Builders* (London, 1975), p. 83.
[127] Ibid., p. 86.
[128] E. S. Cox, 'The future of the steam locomotive', *The LMS Magazine*, 1935.

Arguably, the standard locomotives represented a waste of valuable resources at a time when the railways were facing severe financial problems. Moreover, the effect was compounded by the debatable action of purchasing surplus locomotives from the Ministry of Defence. These locomotives had been crudely and cheaply built for use in theatres of war, with the expectation of a short life-span. Yet Riddles recommended their purchase, and from 1948 more than 900 were obtained and integrated into BR stock. The costs involved proved considerably more than the purchase prices, because expensive modifications were required to make them suitable for use on British Railways.[129] Alongside all this, the BTC agreed to controversial and expensive modifications to update other classes of steam locomotives.[130] Substantial spending on this continued until the early 1960s, despite a short anticipated life of the converted units owing to the rapid advance of dieselisation.

Gourvish argues that the impact of these decisions was not significant: only £28m was spent on additions to the steam locomotive fleet between 1948 and 1955, and this figure 'represented only a fraction of the sums required to undertake a substantial shift to alternative forms of motive power, whether diesel or electric'.[131] This argument is debatable for two reasons. First, had such a sum been spent on purchase and development of main-line diesel locomotives at an average cost of even £70,000 each, a substantial fleet could have been obtained. Second, this would have provided vital operating experience before full-scale dieselisation, and in all

[129] BTC minute 1/962. On 4 November 1948 the BTC agreed to purchase the first 558 locomotives for £1·5m. They required modifications to couplings costing £114,000 and to boilers costing £157,530, AN85/6.
[130] BTC minute 3/971, 9 November 1950, AN85/4.
[131] Gourvish, *British Railways*, p. 85.

likelihood prevented many of the difficulties experienced later during the unplanned rush to dieselise. Moreover, the figures provided by Gourvish do not include the substantial spending after 1955 on steam locomotives which continued to be constructed until 1960, and on others which were expensively rebuilt until 1963. Nor do they allow for the considerable expenditure on maintaining and improving the infrastructure, the coaling plants, watering facilities, ash pits and turntables which were required to support steam traction. In addition many depots were expensively rebuilt to continue maintenance of steam locomotives.[132]

This use of resources is particularly suspect in contrast with the US, where 1950 was a record year for the purchase of diesel traction with 2,372 units placed in service.[133] Had the RE fully investigated the relative costs of steam and diesel, it would have found that mass-production techniques had substantially reduced the costs of producing diesel locomotives. Their investigations appear to have ignored the best available information, because the wider railway industry was well aware of international developments in traction technology. In the December 1947 Presidential Address to the Institute of Locomotive Engineers, Julian Triton delivered his findings on the progress of dieselisation in the USA based on extensive research there. Perhaps his most revealing discovery was that mass-production techniques had reduced the initial capital cost of diesels compared to steam to a ratio of 1·6:1.[134]

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[132] One of the numerous examples of this was Crewe North depot on which the BTC agreed expenditure of £900,000, BTC minute 6/380, 5 May 1955, AN85/5.
[133] *Railway Gazette*, 6 April 1951, p. 369.
[134] *Railway Gazette,* 6 February 1948, p. 191.

Such a remarkable and highly relevant development eluded the RE, but its impact was compounded by a further lack of investigation into technical developments. The LNER in common with the other Big Four railway companies had thoroughly investigated the operating experience of dieselisation in the USA.[135] As a result, the LNER Board decided in 1945 that 25 main-line diesel-electric locomotives be purchased, and that new purpose-built maintenance depots should be constructed in London and Edinburgh. Invitations were then submitted to suitable contractors to submit designs and estimates for the locomotives; but following nationalisation the tenders were transferred to the RE, and according to Bonavia, 'the project dropped like a stone'.[136] This decision was almost certainly unwise, as the scheme would have provided valuable technical and operating experience which could have influenced the more widespread introduction of dieselisation. Moreover, the LNER had in its proposed new depots realised another vital factor: the need to separate the maintenance of the two types of traction, the technically advanced diesel-electric which required a clean working environment, distinct from the steam locomotive surrounded by smoke, ash, and coal dust. Again, implementation of the scheme would have provided valuable experience: when diesel locomotives were eventually introduced, a lack of separate maintenance facilities contributed to their initially dismal operating performance. According to Bonavia, this provision of proper maintenance facilities *before* delivery of the new units was too often overlooked in BR days with serious consequences.[137]

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[135] Examination of diesel-electric traction in the USA, October 1945, RAIL390/2041.
[136] Bonavia, *A History of the LNER*, Vol. 3, p. 81.
[137] Ibid., p. 81, see also, unattributed, 'New traction, old sheds', *British Railways Illustrated,* 11 (2002), pp. 230-231.

Also contained in the LNER Report were two other highly significant conclusions gained from research in the USA. First, the versatility of the diesel meant that only three types of locomotive were required: shunters, freight units of not less than 1300hp, and passenger units of not less than 2000hp. Second, the same types should be able to work in multiple.[138] Yet when BR finally introduced dieselisation, more than 21 different types of locomotive were ordered, including diesel-electric and diesel-hydraulic. No account appears to have been taken of the associated high costs of spares and training, and many of the classes could not work in multiple. Furthermore, many of the types were so inefficient and unreliable that they were disposed of, often well before the steam locomotives that they were designed to replace.

The BTC's and RE's approaches to traction policy were then, short-sighted, and a result of backward and inward-looking perspectives. Even the capability of modern steam traction was rarely used to the full. Cox, a leading proponent of the Riddles' approach, accepted that the modern locomotives introduced by the Big Four had the potential for more intensive use, if operating practices had been able to break loose from traditional habits and routines.[139] Yet they were not, and Gourvish points out that:

> It is debatable whether a higher rate of investment in the period 1948-53 would have led *automatically* to a substantial change of policy, but it seems likely that Riddles would have found it much harder to resist a more enthusiastic experiment with both main-line and branch-line diesels as an alternative to electrification.[140]

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[138] Examination of diesel-electric traction in the USA, October 1945, RAIL390/2041.
[139] Cox, *Standard Steam Locomotives*, p. 208.
[140] Gourvish, *British Railways*, p. 89.

But the important factor remains that a series of decisions on a vital issue, the type of traction, were effectively taken in isolation by Riddles, and this resulted in a lost chance to assess new opportunities at an early stage in the life of BR. Proper and efficient use of expensive capital equipment was only achieved in the second half of the 1960s, when the reliability of the new diesel traction reached realistic levels. In traction policy, as in financial affairs and operating philosophy, a resistance towards new and more efficient practices placed severe constraints on the pace and extent of railway modernisation, with significant financial costs. Given the acute financial position of the BTC it is remarkable that such a state of affairs was allowed to continue for as long as it did.

IV

Attlee's government had nationalised the railways in the belief that a state-owned monopoly would confer benefits to the consumer from improved operating efficiency, achieved by more effective integration. It also accepted the need for continuing investment in the newly-nationalised industries, but a series of economic events had conspired to restrict its provision. While the economic and financial constraints from the aftermath of war might have been predicted, the onset of the Cold War probably could not. What is not beyond doubt is that the British economy had been required to adjust in the light of financial problems, international events and, at the same time, the introduction of substantial socialist legislation, all during a short period. A series of economic crises forced changes in priorities, and resources were diverted to areas considered to be in most pressing need. Yet the impact of

this restriction on the railways was not as severe as it might have been, as its major investment raw material was steel, and of this it received more than 80% of its planned requirements. A greater problem was the use of these resources. The BTC and RE did not use the steel allocation effectively, particularly in traction policy – where in contrast to the American and most other European systems it persisted with out-dated technology.

In the early years of public ownership, it appeared to the railway user and the railway employee that the improvements so confidently predicted by Labour politicians simply did not occur. There was little change to the operation and efficiency of the railways, and nationalisation did not alleviate cancellations and delays nor stop price increases. These first years of public ownership saw little evidence of the promised reconstruction, or even change to the operational capability of the railways. Not only had management been of questionable quality resulting in mediocre performance, but inconsistencies in the legislation created a series of conflicts between the various tiers of management and government. These problems and similar difficulties in the other nationalised industries led Pelling to conclude that:

> Morrison must have felt a little bit like the sorcerer's apprentice who conjured up spirits which he soon found beyond his control.[141]

Ashworth is less critical, concluding that the industry was subject to exceptional constraints which were not of their own making.[142] While that is true to an extent, substantial investment resources were made available, but not used effectively. The disappointing performance of the railways in those

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[141] Pelling, *The Labour Governments 1945-51*, p. 96.
[142] William Ashworth, *The State in Business* (Basingstoke, 1991), p. 121.

years undermined its competitive position with road transport, and influenced its financial performance for future decades. In addition, possibly the most persuasive argument in favour of public ownership – increased efficiency – had clearly not been achieved. According to Morgan the nationalised industries 'remained largely autonomous entities, directed by their own remote corporate boards. There was a lack of integration even within nationalised transport itself with much wasteful competition.'[143]

Many labour issues also remained unresolved, for as Tomlinson concluded 'Labour faced with unexpected problems in the labour market failed to find much in the way of policy innovations to deal with them'.[144] Those employed on the railways found their industry operated in very much the same way as it had been under the Big Four and with similar financial constraints. Much of the goodwill and idealism of the railwaymen was soon dissipated; according to Bagwell many experienced disillusionment with the results of nationalisation.[145] This response was mainly due to railway wages lagging behind the general wage trend, but it also represented the serious disappointment that most railway employees felt with the lack of progress made since nationalisation. One indication of this disillusionment occurred in December 1950 when the Manchester and District Council of the NUR requested that the Union's National Executive Committee should 'press for the removal of Barnes from his post as Minister of Transport'. Rather than following the traditional approach and letting the resolution 'lie on the table', the executive forwarded it directly to the Minister.[146]

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[143] Morgan, *Labour in Power*, p. 135.
[144] Tomlinson, *Democratic Socialism*, p. 184.
[145] Bagwell, *The Railwaymen*, p. 623.
[146] Ibid., p. 605.

Such disappointment with progress and performance extended beyond the trade unions. There were attacks on the management of the railways and other nationalised industries in the media. Headline news was made of the mounting financial losses incurred by the BTC, the NCB and civil aviation. Although Morgan is critical of the censure which emanated from the right-wing media – 'the Beaverbrook and Rothermere press which worked to discredit the government and the very name of nationalisation'[147] – the reality was that the evidence of inefficiency was only too apparent to the public. This was important because, as Chick puts it, 'the perceived performance of the nationalised industries was of particular political relevance for the Attlee government, since the nationalisation programme formed one of its major political achievements'.[148] Given the public corporations' disappointing performance in supply and price, it was not surprising that by the end of the 1940s nationalisation was tending to become unpopular. In August 1949 a Gallup opinion poll on nationalisation of the iron and steel industry found only 24% of respondents in favour, a figure which had fallen to 23% in November.[149]

These problems and the public response to them led Morrison to seek to change the tone of socialist rhetoric, and to move towards a strategy of 'Consolidation'. He first publicly advocated this change at the 1948 Labour party Conference in Scarborough, for even then he appreciated the need to create a better image for the existing nationalised industries, and 'the need to win more votes from the middle ground of politics which could be attracted

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[147] Morgan, *Labour in Power*, p. 137.
[148] Chick, *Industrial Policy in Britain*, p. 97.
[149] George H. Gallup, *The Gallup International Opinion Polls: Great Britain 1937-75* (New York, 1976), p. 191.

only if the party appeared non-doctrinal and classless in its approach'.[150] The Labour leadership recognised the political problem: in the 1950 General Election campaign they attempted to 'present the party as moderate and responsible. Consolidation in the Morrisonian sense dominated Labour's style'.[151] Furthermore, 'Morrison interpreted the government's greatly reduced majority in the 1950 General Election as confirming his belief that Labour should "consolidate" rather than attempt further nationalisation and he argued that this should be made perfectly clear to the electorate'.[152] A similar approach was taken for the 1951 General Election, for which Labour manifesto references to nationalisation were muted – restricted to promises to take over concerns which had failed and to start up new enterprises which would serve the nation. According to Morgan, the entire document embodied Morrisonian caution on the question of nationalisation.[153]

At the 1951 General Election the Labour government was defeated, and Churchill formed a new Conservative government with a manifesto commitment to introduce greater competition, and to reorganise publicly owned road and rail transport into regional groups of workable size.[154] This approach suited both the BTC which sought simplification of the upper echelons of management, and the British Railways regions which assumed that decentralisation would confer greater commercial authority to them.

As will be shown in the next chapter, this attempt to create a more coherent organisation with a more commercial outlook was to be engineered

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[150] Donoughue and Jones, *Herbert Morrison*, p. 441.
[151] Morgan, *Labour in Power*, p. 403.
[152] Donoughue and Jones, *Herbert Morrison*, p. 456.
[153] Ibid., p. 140.
[154] *Conservative Party Manifesto 1951*, p. 3.

through new legislation which reflected the Conservatives' different approach to national economic management.

CHAPTER 3
THE CONSERVATIVES AND CHANGE 1951-54

Nationalisation has proved itself a failure which has resulted in heavy losses to the taxpayer or the consumer, or both. It has not given general satisfaction to the wage earner in the nationalised industries. Wage earners are ill content with the change from private employers, with whom they could negotiate on equal terms through the Trades Unions, to the all-powerful and remote officials in Whitehall.

(*Conservative Party General Election Manifesto,* 1951)

This chapter will seek to establish the effect of the election of Churchill's Conservative government on the management of the railways. A series of elements will be examined, beginning with the extent to which national economic issues, including the relative decline of the British economy, affected British Railways management. Then, the nature of state-industry relations and particularly the precise boundaries between them will be considered, in order to understand the reasoning behind the Transport Act of 1953, and in particular its abolition of the Railway Executive. Finally, in order to appreciate the competitive position of the railways it is necessary to assess the impact of two other issues influencing financial performance: labour issues and the growth of road transport.

The 1951 General Election result was very close, indeed the Conservative win derived from the vagaries of the party and electoral system – on the sharp decline in the Liberal challenge since the 1950 election,[1] and on the 'first-past-the-post' arrangement for constituency contests: Labour won a majority of the popular vote, but lost because it obtained fewer MPs than the Conservative party. Yet despite this close outcome, the election

[1] The Liberals put up 109 candidates compared with 475 in 1950: Morgan, *Labour in Power,* p. 486.

was a watershed, in that it signified the end of the socialist experiment of attempting to extend and make permanent some of the features of war-time society.[2] More particularly, as the Conservatives' 1951 General Election Manifesto made plain, the return of a Conservative government would lead to considerable changes in the organisation of the nationalised industries, particularly steel and transport.

The roots of these changes lay in the 1945 General Election, when the Conservative party had opposed nationalisation, presented as a matter of establishing a 'standardised and identical structure', 'bureaucratic torpor', and 'state monopoly', with 'no proper protection for anyone' – consumer interests or independent business. Although wartime controls should continue 'for a time', like other transport sectors 'road and rail' would be 'encouraged and helped to develop their own plans' for 'a transport system of the highest efficiency', with the public left to choose between them and 'with protection against any risk of monopoly charges'.[3]

This approach contrasted sharply with the Attlee governments 1945 manifesto commitment to nationalisation, which was based on the belief that public ownership and large-scale industry would automatically generate greater efficiency. While the Conservative view accepted that post-war reconstruction would require modernisation and greater efficiency, it also assumed that such aims were more likely to be achieved under private ownership, even if that did require greater state intervention than hitherto. That perspective was most apparent in the Conservative party's attitude

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[2] Harriet Jones, 'The Cold War and the Santa Claus syndrome', in Martin Francis and Ina Zweiniger-Bargielowska (eds.), *The Conservatives and British Society 1880*-1990 (Cardiff, 1996), p. 242.

[3] *Mr. Churchill's Declaration of Policy to the Electors* [Conservative/National government election manifesto], 1945.

towards iron and steel nationalisation, which it fiercely opposed, and in the belief that road transport would be more efficient under private ownership.

According to Nigel Harris, Conservative policy towards public ownership had evolved from a tension between two strands of economic thought: 'competition', or the economic liberalism of the late nineteenth and early twentieth centuries, and the 'corporatism' of the National government's response to the weaknesses of capitalism of the 1930s.[4] Crompton argues that a further inter-war influence on Conservative acceptance of limited nationalisations of public utilities was the type of public corporation which had developed under Conservative or Conservative dominated governments. These included initiatives such as the Central Electricity Generating Board in 1926, the London Passenger Transport Board in 1933, and British Overseas Airways in 1939.[5] This was significant, because as Singleton argues 'by the late 1930s there was little difference between the proposals of Labour and of the Macmillanite wing of the Conservative party.[6] Conservative acceptance of this particular model owed much to the anticipated independence of the management board. This was to be fully responsible for everyday operations, with government intervention only on long-term issues and wider strategic matters.

To this were added the considerable impact of the experience of management of the wartime economy, and then the post-war election defeat. Harriet Jones's alternative view – that war and defeat made little real difference, and that the party merely adopted new tactics to confirm and

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[4] Nigel Harris, *Competition and the Corporate Society: British Conservatives, the State and Industry 1945-1964* (London, 1972), p.149.
[5] Crompton, 'Good Business for the Nation', p. 146.
[6] Singleton, 'Labour the Conservatives and Nationalisation', p. 19.

uphold its familiar objectives[7] – seems suspect, given the extent and intensity of debate within the party. This turned particularly on the extent of the role of the state and the boundaries of public ownership of commerce and industry. Although this debate on the extent of nationalisation continued, the party's economic policy began to be clarified on the ideological level with the publication of the 1947 *Industrial Charter*.[8] This accepted many of Labour's measures (although proposing improvements), and confirmed a commitment to maintain a high and stable level of employment. The Charter was unequivocal in its hostility to nationalisation as a general principle, and restated the party's opposition to public ownership of iron and steel. Even so, it did not consider it desirable to restore coal and the Bank of England to private ownership.[9] Nor was it proposed to de-nationalise the railways. Rather, the Charter argued for a rebuilding of transport arrangements, and promised 'to give the railways and shipping a priority' second only to improvements in power suppliers.[10]

Conservative policy was further developed in *The Right Road for Britain* published in July 1949, which declared that 'most of the nationalised industries are wrongly organised. They are over centralised'.[11] Railways were to be decentralised almost on the basis of the 'Big Four':

> British Railways should be reorganised into an appropriate number of regional railway systems, each with their own pride of identity, and co-ordinated as to a broad policy alone by a central body. The present top-heaviness due to excessive central staff should be corrected and each railway system be administered by its

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[7] Jones, 'Cold War and the Santa Claus syndrome', p. 252.
[8] The *Industrial Charter* was drawn up by a committee appointed as a result of a resolution at the Conservative party conference at Blackpool in October 1946.
[9] *Industrial Charter*, p. 39.
[10] Ibid., p. 8.
[11] Conservative and Unionist Central Office, *The Right Road for Britain*, (London, 1949), p. 27.

own board of directors, which should include a strong part-time element of persons with varied practical experience of serving the public needs.[12]

Macmillan was probably typical of a significant element of the Conservative party in being prepared to accept existing nationalisations, but to be strongly opposed to more.[13] This pragmatism accepted that reversing existing public ownership was in many cases impracticable; and anyway for a number of Conservatives, the salient question was not what had already been taken into public ownership, but what might happen subsequently. In effect, the real ideological issue was the extent to which public ownership could be extended, and might undermine private enterprise in the future. Therefore, iron and steel, and road haulage, both profitable and competitive had, as observed by Ramsden, 'provided a real ideological divide, for if these industries were to go down, then there was no logical line beyond which state ownership might not legitimately be extended in years to come'.[14] Yet even so, although the Conservatives offered greater economic liberalism, by the 1950s they had also accepted the necessity of corporatist ideals which recognised the state as a major instrument of change.[15]

This revised Conservative perspective was embodied in its 1951 election manifesto, which emphatically precluded further public ownership: 'We shall stop all further nationalisations'. In addition it was proposed that 'the Iron and Steel Act be repealed, and the steel industry allowed to resume its achievements of the war and post war years'. This change was commensurate with the manifesto commitment 'that in normal times there

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[12] Ibid., p. 29.
[13] E. H. H. Green, *Ideologies of Conservatism. Conservative Political Ideas in the Twentieth Century* (Oxford, 2002), p.171.
[14] John Ramsden, *The Age of Churchill and Eden* (London, 1995), p.190.
[15] Harris, *Competition and the Corporate Society*, p. 149.

should be the freest competition'. Other industries such as coal, gas and electricity would remain nationalised, but it was proposed: 'there will be more decentralisation and stimulation of local initiatives and loyalties'. Furthermore, the problem experienced by Labour with the monopoly elements of the nationalised industries was to be resolved by bringing them within the purview of the Monopolies Commission and ensuring strict Parliamentary review of their activities.[16]

This alternative approach to economic management was also to apply to transport, with the manifesto reaffirming the proposed reorganisation of rail and road transport into regional groups of workable size. Private road hauliers were to be given the chance to return to business and privately-owned lorries were no longer to be restricted by a 25-mile operating limit. For the coal and railway industries, the alternatives to public ownership were limited, partly because the financial performance of both appeared to have declined after nationalisation. As Seldon points out, given the current condition of the railways no private purchasers would have been prepared to buy them back.[17] Rather, as indicated in the *Industrial Charter*, the Conservative's approach to the nationalised industries would be to 'set up efficient and competitive undertakings'. [18]

The contrast between privatisation in road haulage and continued public ownership of the railways occurred for two reasons. First, the Labour promises of an integration of all forms of transport under nationalisation had simply not happened, and now appeared most unlikely to do so. Second,

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[16] British Conservative party *General Election Manifesto*, 1951, p. 3.
[17] Anthony Seldon, *Churchill's Indian Summer: the Conservative Government 1951-55* (London, 1981), p.186.
[18] *Industrial Charter*, p. 25.

the Road Haulage Association and the British Road Federation had waged a steadily intensified campaign for the removal of restraints on private haulage. And furthermore, as purchasers were available for road haulage, this was an aspect of transport in which the Conservatives could most easily pursue their belief that greater competition would reduce costs to the benefit of commerce and industry. Denationalised road haulage would allow private hauliers to enter the transport market without being hamstrung by legal restrictions on operating distances. The Conservative hope was that the introduction of competition might make all domestic transport, including the nationalised railways, more efficient and productive.[19]

I

An appropriate point to begin assessing the performance of the railways from 1951 to 1954 is to re-state the most significant issues facing the newly-nationalised industries – the need to raise capital intensity, develop technical progress, and improve productivity.[20] As we have seen, the early years of public ownership did not achieve these aims; indeed, in common with the coal industry the performance of the railways had deteriorated, certainly when measured in terms of financial results. Gourvish attempted to calculate the 'true financial results' for British Railways between 1948 and 1973. His calculations (which excluded drawings on the abnormal maintenance fund), found BR to have a deficit at constant 1948 prices of £20·1m in 1948,

[19] A fuller account of such related productivity issues can be found in Jim Tomlinson, 'The British productivity problem in the 1960s', *Past and Present,* 175 (2002), p.192.
[20] Robert Millward and John Singleton, 'The ownership of British industry in the post-war era: an explanation', in Millward and Singleton (eds.), *Political Economy of Nationalisation,* p. 316.

£29·9m in 1950 and £15·3m in 1951.[21] Surprisingly, Gourvish estimated that total factor productivity for the railways changed from 100 in 1948 to 101·5 in 1949, to 101·6 in 1950 and 104·5 in 1950, and to 99·9 in 1951.[22] The accuracy of these figures can be questioned, given BTC's conclusion that the railways had under-performed, but that this was significantly influenced by contextual constraints over which it had no control. Defending its record in its 1952 Annual Report, the BTC declared:

> The effects of limitations upon either capital investment or use of materials have been constantly felt since the Commission took over the railways in 1948, and have enforced in many directions a policy of 'make do and mend' which while it may have been inevitable, has proved harmful to both efficiency and economy.[23]

This statement deserves scrutiny, not least because in the immediate aftermath of war private railway companies had made substantial progress in rebuilding their infrastructure, despite facing even greater constraints. Moreover, as the previous chapter argued, the restrictions imposed by the Labour government's resource allocation to the railways were not as onerous as for some other industries: substantial resources had been made available. Nevertheless, there is no doubt that until 1955 wider national economic issues did to an extent constrain railway investment.

The impact of these constraints was fully understood by Churchill's incoming government, which accepted the pressing need to formulate economic policies which would create an environment for industrial modernisation and increased productivity. This had been recognised as a crucial issue in the *Industrial Charter* of May 1947, with its insistence that 'a

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[21] Gourvish, *British Railways*, p. 587.
[22] Ibid., p. 612.
[23] *BTC Annual Report and Accounts 1952*, p. 3.

high rate of productivity must be restored'.[24] However, increased productivity also demanded investment, and the provision of capital goods was problematic given the economic constraints operating in 1951. Churchill made no claims to be an economic expert, but he did realise that many of the essential issues underlying economic reconstruction were intertwined with international events, and therefore with Britain's foreign policy and defence strategy. These required adjustment, not simply to preserve national security and prestige, but also because they were essential to an international stabilisation on which reconstruction of the British economy depended. This meant that at least in the short-term, investment for transport reconstruction was a lower priority than stimulating overseas trade in order to earn dollars for the purchase of capital goods, vital for reconstruction.

Appreciation of those factors underpinned Churchill's belief in the need to cultivate the so-called 'special relationship' with the USA, which he considered had suffered as a result of Attlee's supposed reticence towards America. The importance Churchill attached to international affairs was clearly exemplified by his approach to a ministerial group he established to re-assess economic policy: he took the chair only when defence or overseas commitments were being considered.[25] Given the Korean War and the Cold War, it is also understandable that the Churchill government followed the Attlee government in giving high priority to defence and its associated procurement issues.

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[24] *Industrial Charter*, p. 6.
[25] Meeting of ministerial group to review general economic policy, G.52.29, 17 June 1952, T273/315.

From the perspective of the railways, the crucial issue is whether defence procurement was too extensive, and whether its effects on the British economy affected the ability of the railways to modernise. In January 1950 defence spending was estimated to have absorbed just under 7% of GNP, and was scheduled to increase to 15% in 1953.[26] The impact of this increased spending intensified the existing shortage of labour, apparent not only on the railways, but also in many sectors of the economy. Nevertheless, despite full awareness of this problem, the government's emphasis remained centred on resolving defence priorities such as aircraft production. When that industry reported output well below target, the Ministry of Defence estimated in October 1951 that an additional 12,000 workers were needed to reach production targets; [27] yet attempts to achieve this only exacerbated the existing shortages in the wider labour market. Related labour shortages in the engineering industry further aggravated the problem of new recruitment and retention of existing employees on the railways, and additionally caused supply problems with some components.[28] This increased defence spending created new and wider employment opportunities in defence-related industries and these generally offered better working conditions and higher remuneration than the railways. Alongside this, the growth in production of consumer goods generated a further expansion of employment opportunities, often in new factories and many cases located in South East England.

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[26] Cabinet Economic Steering Committee: impact on the economy of the defence procurement programme, 7 July 1951, T229/705.
[27] Cabinet Economic Steering Committee Report on economic prospects for 1952. Cabinet Office, 22 October 1951, T229/705.
[28] Ibid., para. 9.

Many workers, especially younger ones, were happy to exchange the hard physical labour and anti-social hours of railway work for the regular hours of life in a factory. By the end of 1951 the BTC reported a net loss of 10,000 men in key grades: train crews, shunters, signalmen and permanent way staff. It was not easy to respond, because in contrast to many other competitors, increasing the wage rates of key occupations was considered impracticable, given a highly-unionised labour force which would demand comparable increases across all grades of workers: the railways could not sustain such comprehensive wage increases. Instead, the BTC attempted to counteract the problem through certain improvements in conditions of service, particularly enhanced lodging allowances for drivers and firemen, and the introduction of a five-day week for civil engineering and telegraph staff (though with a reversion to a 5½ day-week in winter).[29] However, these changes made little impact, and recruitment and retention of labour remained problematic. Even recruitment of Italians and immigrants from the Empire – a move agreed with the railway unions – failed to resolve the labour shortages. By 1955 the position was such that these labour shortages in areas such as Birmingham and London were reported to have reached 'epic proportions'.[30]

In contrast to shortages where the railway work tended to be unpleasant, where the conditions were more favourable there was the opposite problem – instances of over-supply of labour. Yet there is no evidence that labour efficiency was a management priority. An example is Durrant's account of his experience in the drawing-office at Swindon Works

[29] BTC minute 4/421, 24 May 1951, AN85/4.
[30] *BTC Annual Report and Accounts 1955,* paras. 10-12, p. 3.

in 1955: 'I had very little to do and when others talked about football, I bent over my drawing board looking quite industrious and worked on my own designs'.[31] Similarly, the managers of railway workshops only identified labour productivity as a problem after the introduction of the Modernisation Plan, when the future of a number of works began to be questioned.

Consequently, labour difficulties – supply and efficiency – conspired with shortages of coal and steel to create operational and investment problems, reflecting some basic weaknesses in the national economy. This was recognised by the Treasury, which concluded that 'an additional million tons of steel in 1952 would revolutionise economic prospects'.[32] That increased production was not achieved, with the result that steel allocations worked to the disadvantage of the railways: despite strongly arguing their case in February 1952, they again received 80% of planned requirements. Again rolling-stock replacement was restricted, and railway modernisation was to some extent hindered.

Continuing restraints on railway investment resulted from another inheritance from the previous government: a balance-of-payments crisis, which the Treasury considered worse than that of 1949, and in many ways even worse than 1947. With a surplus of £221m in 1950 turning into a deficit of £472m in 1951, there was also heavy speculation against sterling in New York, and a drain on the gold and foreign exchange reserves.[33] As a result, Butler, the new Chancellor of the Exchequer, was forced to accept that it was impossible to maintain the rearmament programme without reducing the

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[31] A. E. Durrant, *Swindon Apprentice* (Cheltenham, 1989), p. 138.
[32] Cabinet Economic Steering Committee Report on economic prospects for 1952, T229/705.
[33] Sir Edward Bridges, Secret Report on economic prospects for 1952, October 1951, T273/315.

amount and pace of other government expenditure. He therefore implemented a review of all government spending in an attempt to 'hold tight on to the essentials and drop the superfluities'.[34] The result was that in early 1952 Butler announced cuts in government expenditure and a tighter economic policy,[35] including measures to restrict the number of motor vehicles (both commercial and private) allowed on the market,[36] a policy from which the railways obtained some benefit.

After 1951, growth in the national economy led to an end of shortages and a number of controls were removed. Yet progress in railway investment remained relatively low in contrast with European experience, and levels of productivity also compared unfavourably, particularly with the United States.[37] This problem of low productivity was not confined to the railways; it was a feature of many sectors of the British economy, and emerged as a serious issue which, according to Tomlinson, was particularly apparent in the 1950s and the early 1960s.[38] As a result 'declinism' (with a premise that successive governments contributed to decline by their insouciance) became the dominant framework for analysing the post-war economy.[39] Having identified the problem of low productivity in the *Industrial Charter*, the

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[34] Treasury minutes: Impact on the economy of the defence procurement programme, 28 Sept. 1951, T229/705.
[35] A reduction from 100,000 in 1951 to 60,000 in 1952.
[36] Chancellor: 'Towards solvency – the next steps', 5 November 1951, T273/315.
[37] An index of real GDP per hour worked showed for 1950 the UK at 100 and the US at 171, and by 1960, 100 and 174: Cairncross, *British Economy since 1945*, p. 16.
[38] Jim Tomlinson, 'Inventing decline, the falling behind of the British economy in the post-war years', *Economic History Review,* 49 (1996), p. 732.
[39] Jim Tomlinson, 'Liberty with order: Conservative economic policy 1951-64' in Martin Francis and Ina Zweiniger-Bargielowska (eds.), *The Conservatives and British Society,* (Cardiff, 1996), p. 274.

Conservatives now had fuller evidence from a range of indices such as share of world trade, industrial production and growth in national income.[40]

The overall effect of low productivity was to constrain economic growth, and particularly investment in key areas such as transport. Kirby draws attention to the Elbaum-Lazonick early-start thesis, which contends that lower economic growth in Britain can to some extent be attributed to its early start in industrialisation which allowed international competition to improve techniques and overtake Britain. [41] Kirby further draws on the Olsen theory, that political stability and victory in two world wars allowed special interest groups to consolidate their position.[42] On the railways, there is evidence to support this view from the experiences of Richard Hardy during his time as shedmaster of Stewarts Lane depot in London:

> In many large passenger and freight terminals, marshalling yards and locomotive depots, practices grew up again as a matter of expedience, that would never have been tolerated before the war and which should never have been allowed to persist when peace returned.[43]

Whatever the underlying causes of relatively low productivity, it is undeniable that there was a contrast between the re-development of the British economy and that of continental Europe and Japan, where war-time destruction and occupation led to a radical re-structuring of their economies. The result was that West Germany, France and Japan experienced rapid growth rates linked to increased productivity after 1945, which allowed the financing of earlier and more extensive re-development of their transport

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[40] Ibid., p. 274.
[41] Bernard Elbaum and William Lazonick, 'The decline of the British economy: an institutional perspective', *Journal of Economic History,* 44 (1984), pp. 567-583.
[42] M. W. Kirby, 'Institutional rigidities and economic decline: reflections on the British experience', *Economic History Review,* 45 (1992), pp. 649-650.
[43] Richard Hardy, *Beeching,* p. 19.

networks than was achieved in Britain. Such programmes were seen as a pre-requisite for reconstruction, because their national railway systems had been so badly damaged.

Their post-war transitional processes resulted in more effective and rapid modernisation than in Britain for two reasons. The first was, again, wartime destruction. In France and West Germany, reconstruction of the railway system could incorporate new and improved designs of both infrastructure and traction. Second, these railways adopted a more commercially-aware strategy towards reconstruction and modernisation. Brooksbank identifies an important explanation: 'management staff on French and West German railways ... were generally better qualified academically and technically than on BR. Furthermore, the standard of training on the continent, right through from the bottom ranks to the top was much more thorough and rigorous'.[44] So, although European countries as well as Britain recognised electrification was desirable, in both France and West Germany, electrification (and much dieselisation) was introduced in a properly controlled manner, with steam traction carefully phased out as modernisation proceeded, on either a sector or regional basis. The result was that those countries dispensed with steam traction well after Britain, but their rundown was more ordered and cost-effective. As will be shown later, all this contrasted with an unplanned rush by British Railways to replace steam traction with diesel, a departure which proved to be hugely expensive and troublesome, as well as being highly embarrassing for public relations.

[44] B. W. L. Brooksbank, *Triumph and Beyond, the East Coast Main Line 1939-59,* (Oldham, 1997), p. 43.

The result of this process was to exacerbate the already serious decline in passenger and freight revenues.

II

Gourvish concluded that 'the nationalisation period got off on the wrong organisational foot and the structure erected in 1947 was the first of several defective solutions offered in the [following] quarter century covered in this book'.[45] Even Bagwell, despite his support for nationalisation, accepted that 'the Transport Act of 1947 had its weaknesses'.[46] As has been shown, the Labour government had recognised problems arising from its legislation, but its attempts at remedial action had been limited to marginal improvements in the *status quo*. In contrast, the Conservative government sought fundamental readjustment through the belief in competition, rather than control and planning. This was part of a wider policy difference, expressed by Peden as suspicion of the machinery of government inherited from Labour, and a move towards the use of short-term financial instruments rather than planning or direct controls. Central planning was distrusted to such an extent that its meaning became restricted to no more than inter-departmental discussion and co-ordination, aimed at ensuring that government economic policy was rational and consistent.[47]

The Conservative's effort to improve performance in transport turned upon the organisational changes outlined in the 1951 election manifesto – the reorganisation into regional groups and the privatisation of road haulage. These changes required amendment of the 1947 Transport Act, set out in

[45] Gourvish, *British Railways*, p. 67.
[46] Bagwell, *The Railwaymen*, p. 634.
[47] G. C. Peden, *The Treasury and British Public Policy* (Oxford, 2000), pp. 428, 441.

the White Paper, *Transport Policy* (Cmd. 8538) of May 1952, and implemented through the 1953 Transport Act. Understanding the timing, content and rationale for this amending legislation requires appreciation of three key issues: first, questions about the boundaries of authority and power between government and management; second, the immediate operating problems created by the practical constraints under which the industry operated; and third, how the 1953 Transport Act was expected to resolve the issues.

The Minister chiefly responsible was Lord Leathers, Minister for the Co-ordination of Transport, Fuel and Power – a new cabinet post, the creation of which recognised the importance of these industries in national reconstruction, and the need for improved interaction between them. Also initially involved was John Maclay, the Minister of Transport and Civil Aviation, but without a seat in the Cabinet. Maclay, however, had poor health, and a crisis over fares on London Transport in May 1952 precipitated his resignation and replacement by Alan Lennox-Boyd – an unsettlement in a key office which hardly assisted solutions to a complex and difficult issue. For these ministers and the government generally, the predominant issue was creation of more effective and efficient management of transport, to be engineered through greater competition and decentralisation.

As Chapter 2 has shown, the difficulties in the relations between government and transport management had been most obvious in pricing policy and labour relations, where each had acted with differing and sometimes conflicting aims. Steel argued that understanding such conflicts

requires a distinction between political intervention and power,[48] a question that recurs during this analysis of the railway industry. As far as the railways were concerned, the intention of the legislators had been clear: the power to control the running of British Railways was to be vested in the BTC. This was based on the belief that only under such a structure could the industry be run on commercial lines for the benefit of the consumer. However, the lack of clarity in drafting the legislation resulted in political intervention beyond that anticipated in the 1947 Transport Act, thus conflicting with the powers of the BTC.

The issue of political intervention and power was exemplified by a further disagreement between the government and railway management over fare increases. This arose when the BTC planned to introduce a revised scheme of fares on 2 March 1952 in London, and on 1 May in the provinces. After the implementation of the increases in London, there was a public outcry which raised such serious concern in the Cabinet that after strong debate, Maclay was instructed to issue a Direction (under Section 82 of the 1947 Transport Act) dated 15 April 1952, ordering the BTC not to raise fares on 1 May. The proposed scheme of increases was referred back to the Central Transport Consultative Committee (CTCC), even though this had already pronounced in favour of the railways. The result was serious disquiet in the BTC at the Minister's intervention, and the issue created such tensions between the two parties that 'subsequent negotiations produced little but a continuation of the bitter atmosphere'.[49]

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[48] David Steel, 'Government and industry in Britain', *British Journal of Political Science,* 12 (1982), p. 484.
[49] Gourvish, *British Railways,* pp. 104.

A further factor which influenced board – government relations was the attitude adopted by Hurcomb. As Seldon puts it, Hurcomb interpreted his function as 'a relationship of non co-operation with the MOT' – and as a former permanent secretary in that department, he knew how to make things difficult for the Minister.[50]

These disputes over the boundaries of authority between the BTC and government led to a lack of harmony in relations between them. The extent of this can be illustrated by Hurcomb's approach towards fuel and traction policy. When continued and serious coal shortages prompted the Ministry of Fuel and Power to take measures designed to guarantee supplies for domestic (household) consumers, it pressed for reductions in consumption elsewhere. Economies were sought from the main consumers of coal through more efficient use, and if possible by conversion to alternative fuel supplies. The railways appeared to offer much scope for economies, through dieselisation and electrification. Yet when the BTC was approached in March 1952, Hurcomb's response was both ambiguous and unhelpful, managing to argue for both steam and diesel traction. He insisted that the low first cost, adaptability, and long life of the steam engine would require its continuation in use for some time. He further argued that given the current financial position of the railways, diesel alternatives were unaffordable. Nevertheless, and somewhat disingenuously, he also insisted that nationalisation had not stifled engineering initiative in new types of traction, and had made it easier to transfer diesel technology and workings between regions. Hurcomb stressed that the BTC had been interested in

[50] Seldon, *Churchill's Indian Summer*, p. 232.

dieselisation since its inception, and had called for a full technical report on the future types of motive power from the RE.[51] Yet the report had been delivered to the RE five months earlier, in October 1951, and despite its recommendations for full-scale trials with diesel traction, none had been sanctioned.[52] Moreover, at the same time new designs for steam locomotives were being prepared, and additional orders placed for substantial numbers of the BR standard types.[53] If Hurcomb was aware of the contents of the RE Traction Report, he had clearly misled Leathers; if he was unaware of the report, then his working relationship with the RE left much to be desired. In either case, Hurcomb had publicly supported the views of Riddles, whose response to the RE Traction Report was dismissive, and who was very much opposed to its recommendations for diesel trials.[54]

Churchill was not convinced by Hurcomb's response, and prompted by the continuing energy problems suggested further investigation. The result was detailed correspondence between the Prime Minister and an acquaintance of his, the technical commentator Bernard Baruch of New York. Baruch confirmed that in the United States, where dieselisation had been successfully implemented, one ton of diesel fuel could do the work of five tons of coal, and that in the US there were 'large savings due to dieselisation'.[55] When confronted with this evidence the RE offered several counter arguments. The railway's use of coal kept a number of collieries open; the greater cost of imported fuel had to be paid for in dollars, and the higher initial expenditure on diesel traction made the option less favourable.

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[51] Hurcomb to Leathers, 22 March 1952, MT62/142.
[52] Confidential report on Types of motive power, October 1951, p.179.
[53] A total of 999 were constructed between 1951 and 1960.
[54] Riddles to the RE, 23 January 1952, AN88/77.
[55] Baruch to PM, 25 January 1952, PREM11/289.

Its central argument was that a main-line diesel locomotive costing £78,000 compared unfavourably to its steam equivalent at £20,000. Although the RE accepted that the two main-line diesel locomotives built by the Southern Railway before nationalisation could do three times the mileage of their steam equivalents,[56] management appeared unwilling or unable to roster the units effectively, and claimed that there were few turns of duty which could justify the higher initial capital costs.[57] The reality was that the diesel units were simply not used to anywhere near their full capacity, owing to unwillingness to alter traditional operational thinking. Furthermore, the argument regarding the high cost was undermined by one being sent as a display to the Festival of Britain Exhibition in January 1951; it did not return to service until November of that year.[58] This inability to move away from traditional working habits and to embrace the potential operating advantages of technical change as had been done in the US, resulted in the need for more extreme action later.

This conflict between the BTC and government regarding the power to make decisions was accompanied by tensions about the boundaries of authority between the three tiers of railway management: the BTC, the RE, and the regions, and railway management appeared excessively influenced by this. The problems created by these difficult relations between the BTC and the RE, led Hurcomb in early 1951 to request a review of railway organisation. As a result the RE was pre-occupied with this exercise for

[56] Tests on the SR showed that the two units could replace four steam locomotives, 'Sir Eustace's diesels', *British Railways Illustrated,* 7 (1998), p. 160.
[57] Response to PM's personal minute, 18 April 1952, PREM11/289.
[58] 'Sir Eustace's diesels', p. 159.

much of 1951, and finally concluded that the only feasible change would be all-in transport management.[59]

Relationships between the two bodies were not improved when Barnes appointed a new chairman of the RE, John Elliot on the retirement of Missenden in February 1951. This appointment was controversial – Elliot was not Hurcomb's choice, and as Gourvish has explained 'Elliot was more relaxed with Hurcomb than Missenden had been, but relations between the two bodies remained chilly'.[60]

In May 1951, only a couple of months after his appointment, Elliot visited the USA to undertake an investigation into organisation and decentralisation in American railroads.[61] For the new RE Chairman to be away for some three weeks at such an early stage indicates the priority given to investigating possibilities for the future. Elliot's conclusions emphasised that in American practice, control of policy, use of capital and other major expenditure, and exercise of final decisions, was securely held at the top level of management. He also found that management by specific function was used there to a marked degree, and that far fewer committees were used than on BR. As a result, the decision-making process was quicker, and many issues were settled outright, often by the Chairman of the Board who wielded major authority in systems which did not depend always on collective responsibility at the top.[62] These findings, especially the one

[59] Gourvish, *British Railways*, p. 62.
[60] Ibid., p. 62.
[61] Visit to the USA by the Chairman of the RE for consultation on top organisation and decentralisation in American railroads, May 1951, AN6/4.
[62] Elliot, conclusions from examination of the management structures of : New York Central, Pennsylvania, Santa Fe, Baltimore and Ohio Railroads, May 1951, AN6/4.

regarding the number of committees, were ignored by the BTC with significant management implications.

Elliot also quickly responded to the operational issues and practical constraints facing the railways. His new thinking saw an immediate response to the BTC's concern over RE headquarter costs. According to Gourvish, on this issue 'Elliot established another committee, staffed this time by retired officers. Their report of June 1951 accepted that the unification drive had produced no real savings, and proposed to make cuts of £40,000 a year, about 10% of headquarter staff costs'.[63]

Although such costs were easily recognisable, they represented only a small element of the financial problems facing the railways. This was understood by the BTC, with the result that a traffic-costing service was formally introduced in October 1951. Part of the stimulus for this move came from the findings of A. W. Tait (from January 1950 the BTC's Principal Costs Officer), who had concluded 'that British Railways passenger services as a whole were being run at a substantial loss'.[64] In addition, the BTC published a sample of road and rail passenger costs in its 1950 Annual Report, published in June 1951. These statistics clearly identified the substantial loss making problems of passenger services which stopped at most stations, and branch line services.[65] Also, in 1951 the RE's Working Party on Fares and Country Services (when it attempted to rationalise the system of fares), found that many rural services could never be competitive with road

[63] Gourvish, *British Railways*, p. 63.
[64] Ibid., p. 108.
[65] *BTC Annual Report and Accounts*, p. 71.

transport, not only for physical reasons, but for the quality of service including comfort, speed and location of stations. [66]

Despite all this evidence and expert advice, the response of management to these fundamental cost issues was insignificant. Moreover Gourvish noted that 'the most telling demonstrations of the unremunerative nature of much of the railways' traffic were not given much publicity. Nor were they the subject of much debate at Commission or Executive level before 1954'. The reality was that these problems, fundamental to the financial position of the railways, were never fully confronted by the BTC until the arrival of Beeching.

In addition to financial problems, there were a string of serious operational issues. Elliot identified a number and called for improvements from the Chief Regional Officers (CROs), whom he considered vital to operational efficiency. In particular Elliot wanted more effective management of the workforce: he stressed that the achievement of high standards could only be realised through continuous supervision of staff at all levels. Another of Elliot's main concerns was the late running of passenger trains. The CROs explained this as being the result of labour difficulties, particularly the widespread inexperience of station staff, but problems with the quality of footplate staff and steam coal also contributed.[67] To aggravate the late running problems, many train journeys were scheduled to take much longer than before the war. Explanations are offered by a former BR employee, Peter Coster: 'there was a resistance to cut schedules', and 'while those in charge lacked little in experience there was a reluctance to innovate and

[66] MOT, Working paper on fares and country services, RE, February 1951, AN6/40.
[67] Memo from Chairman RE to Chief Regional Officers, 27 April 1951, AN6/5.

accelerate trains'. [68] In addition, the already poor perception of the railways among travellers was exacerbated by a significant number of trains being cancelled, because of staff failing to report for duty. This led to an RE acceptance that stronger disciplinary action was required. Even so, the problems continued. Elliot found it necessary to request that the BTC Joint Consultative Council and the trades unions should examine the lack of co-operation, and the non-acceptance by staff of arrangements previously agreed with the unions.[69] Yet this too proved unproductive, and labour relations continued to deteriorate to the detriment of operational efficiency.

As for freight services, the position was arguably even worse. According to Riddles, freight trains experienced labour and quality of coal problems, aggravated by a total of 106,000 axle boxes running hot in 1951, which required the stopping of 150 trains a day.[70] Surprisingly, Riddles anticipated no improvement to the problem in the near future, blaming the continuing steel shortages which meant fewer new wagons would be available, and that a higher proportion of the existing fleet would require repair in the future.[71] This was hardly valid in itself, for another significant element of this problem was that BR utilised its wagon fleet inefficiently. This poor usage placed pressure on operating capability for some time. Although steel supplies improved after 1952, financial stringencies determined by the Treasury reduced the 1954 wagon-building programme. But this reduction from a planned annual 51,000 units to 40,000 still represented a substantial

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[68] Peter Coster, *The Book of the A4 Pacifics* (Cophill, 2005), p. 54.
[69] Meeting of BTC and RE, 15 January 1953, AN13/1088.
[70] The axle box is fundamental to the operation of the wheels for it bears the full weight of the truck, and running hot indicates a defective wheel bearing which can ultimately result in seizure.
[71] Minutes of meeting of BTC and RE, 17 January 1952, AN13/1098.

improvement to capital stock. Furthermore, Riddles did not adequately explain why steel shortages should have had such a severe impact upon the repair programme for wagon wheel bearings.

In addition to the inadequate response to operational failures, another example of questionable management included decisions to divert traffic from the railways to road or sea transport, even though the experience of 1947 had been that such diversions lost trade to the railways in the long term. The policy was repeated during the winter of 1951-2, when a total of 180,000 tons of coal, including supplies for railway locomotives, was diverted to road transport and coastal shipping.[72] Another instance arose when the Western Region began to be supplied with steel rails from Workington rather than Port Talbot: it was decided to transport them by sea. Keith Grand, then Chief Regional Officer of the Western Region, argued that this was justified by the availability of cheap coastal shipping rates, the existence of a freight bottleneck at Crewe, and the release of wagons for other purposes. Even so, given a need to maintain railway business in a more competitive transport environment, this was hardly a sound commercial policy. It also indicated a lack of commercial awareness at regional level, in that freight-traffic receipts had shown a constantly falling trend and become a contributory factor to the precarious financial position of the railways. Furthermore, it also raised questions about authority and communications within the organisations, for the BTC had earlier decreed that the transport of freight by sea, including coal for locomotive purposes was to cease.[73]

[72] Meeting of BTC and RE, 15 November 1951, AN13/1088.
[73] Minutes BTC and RE, 15 November 1952, AN13/1088.

Against this background *Transport Policy* was published on 8 May 1952.[74] Its purpose was to outline the government's general principles on transport policy and its attitude towards the BTC, in support of the Conservative view that 'new and constructive legislation is imperative':

1. Her Majesty's Government has had under consideration ever since they took office the situation resulting from the passing of the Transport Act 1947. In their view this Act has not achieved and is not likely to achieve its avowed purpose which was 'to provide or secure or promote the provision of an efficient, adequate, economical and properly integrated system of public inland transport and port facilities within Great Britain for passengers and goods' and 'to provide most efficiently for the needs of the public, agriculture, commerce and industry'.

2. In spite of the efforts made by the BTC and its Executives, integration of its road and rail services into a co-ordinated whole has made little progress and shows little real prospect of developing into much more than working arrangements between separate transport entities. Even if integration were in its fullest sense practicable, it would result in an unwieldy machine, ill-adapted to meet with promptitude the varying and instant demands of industry.[75]

It was made clear to the BTC that while it might submit observations for consideration, no fundamental alteration of policy could be contemplated. Nevertheless, while the White Paper was being drafted, the BTC had produced its own plans: these sought to secure greater decentralisation of authority to the regions, combined with the development of a road-rail service for freight under a single commercial management. These were sent to the Minister at the end of 1951, but the government was bound by its manifesto commitments and planned alternative arrangements.

Even so, Hurcomb wrote to Lennox-Boyd in August 1952 asking for the RE's abolition and transfer of its powers to the Commission by

[74] *Transport Policy* (*Parliamentary Papers* 1951-52, Cmd. 8538, xxv, 821).
[75] Ibid., p. 2.

October.[76] This view was supported in the regions, for when Lennox-Boyd raised the issue of re-organisation with three of the CROs; he discovered that drastic decentralisation was very popular with them.[77]

Hurcomb's request was discussed in the Cabinet Committee on Transport Policy, but while Lennox-Boyd was personally convinced that it would provide greater flexibility of administration, several of his colleagues were strongly opposed to it. This opposition was not based on strategic arguments but political: first that the timing of the process would make it appear that it had been introduced too late for Parliament to consider, and second that only in railway circles was there widespread support for decentralisation.[78] Despite these misgivings Lennox-Boyd's view eventually prevailed, and it was decided to adopt Hurcomb's proposal. The result was:

> The functions previously exercisable by the Executives known respectively as the Railway Executive, the Road Haulage Executive, the Docks and Inland Waterways Executive and Hotels Executive shall become directly exercisable by the Commission.[79]

While this particular organisational problem may have been effectively resolved there was another issue, arguably more controversial. This was the disposal of the Road Haulage Executive (RHE), which had significant financial repercussions for the BTC. Even so, the issue was cordially discussed between the BTC and MOT, despite conflicts over the exercise of authority, and the BTC's complaint at the absence of meaningful dialogue with the MOT on preparing the legislation. Although Hurcomb expressed

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[76] Hurcomb to Minister of Transport and Civil Aviation, 1 August 1952, PREM11/559.
[77] Lennox-Boyd to Cabinet Committee on Transport Policy, 22 September 1952, PREM11/559.
[78] Lennox-Boyd to Cabinet Committee on Transport Policy, 18 September 1952, PREM11/559.
[79] The British Transport Commission (Executives) Order 1953, para. 2, MT96/35.

appreciation of the 'friendly atmosphere which prevailed at their meeting',[80] he argued that the loss of the RHE would not just undermine the integration of transport services, a major objective of the 1947 Transport Act; it would also be a considerable blow to the Commission, depriving it of one of the most lucrative parts of the transport undertakings. Hurcomb asked that at the very least the BTC should retain motor vehicles equivalent to those formerly operated by the pre-nationalised railway companies.[81] However, the possibility of this seemed remote given the lack of any real progress towards transport integration, and the starkly contrasting view of Lennox-Boyd: 'decentralisation must be shown to be a fundamental principle of transport policy and the return of road transport to private enterprise is decentralisation in its most virile and traditional form'.[82] This view was influenced by an awareness of discontent with nationalised road haulage by many traders, who had been loud in their condemnation of the worsening of services since 1948.[83] In addition, Churchill stressed to Leathers the productivity and cost issues. The road arm of the BTC appeared inefficient when 'a million vehicles are restricted and fettered for the sake of 40,000 nationalised vehicles whose management requires 12,000 men to sit at desks at a cost of £6m a year'.[84]

The 1952 White Paper proposed that the BTC should receive compensation for the sale of the Road Haulage Executive, financed by a levy on road transport:

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[80] Hurcomb to Lennox-Boyd, 18 June 1952, MT62/138.
[81] Cabinet Committee on Transport Policy, 9th meeting, 9 June 1952, CAB134/1186.
[82] Lennox-Boyd to Cabinet Committee on Transport Policy, 11th meeting, 22 September 1952, PREM11/559.
[83] Birchinall (MOT) to Lennox-Boyd, 19 July 1952, MT62/138.
[84] PM to Leathers, 14 July 1952, MT62/138.

First, the sale of the Road Haulage Executive's undertaking is likely to involve the Commission in some loss. Secondly, the expansion of road haulage will no doubt result in some further transfer of traffic from rail to road which cannot be offset by countervailing economies in railway operations, including the closing down of redundant capacity. The Government propose that compensation for the losses arising from these two causes should be provided by a levy on road vehicles, including those of 'C' licensees.[85]

In effect, this White Paper accepted the likelihood of further losses of traffic by the railways, which were unlikely to be offset by economies of operation. The solution envisaged was compensation for the railways, financed by a levy on road transport. However, this idea proved to be highly controversial, attracting considerable and widespread opposition from organisations which made large-scale use of road haulage, including the Road Haulage Association and the British Road Federation. The Post Office also strongly objected, for its ownership of over 350 long-distance lorries and numerous smaller vehicles meant that the financial burden of a levy could be substantial.[86] It may also have been significant that the BTC, which had not been consulted until Conservative policy had been formulated, indicated serious misgivings about the introduction of the subsidy principle into railway finance.[87] As the Cabinet Committee on Transport Policy (CCTP) stated, 'the BTC have never expressed a specific objection to the levy. The RE had done so, but it was thought that their opposition was prompted by their dislike of a remodelled Commission'.[88]

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[85] *Transport Policy*, para. 15, p. 3.
[86] Herbrand Sackville (Post-Master General) to Butler, 23 June 1952, MT62/138.
[87] Gourvish, *British Railways*, p. 138.
[88] CCTP, 22 September 1952, PREM11/559.

According to Gourvish, the proposal 'had attracted considerable opposition, not only from inside the Cabinet from Butler and Swinton, [89] but also on the backbenches and in the press. Yet this view, in part at least, conflicts with cabinet records, which indicate that Butler wished to retain the levy, on the basis that its abandonment would leave the exchequer with the ultimate financial responsibility for the railways.[90] Nevertheless the government was divided on the issue. Doubt about the impact of the levy was raised by Lord Woolton,[91] who argued that 'whatever we say, everyone else will say (and believe) the levy is a featherbed subsidy and a disincentive to the railways to be more efficient and economical. The BTC take this view themselves'.[92] Woolton's views carried great weight, for he was a highly influential figure, as a former Conservative party chairman who had done much to mastermind the 1951 election victory. He was thought to understand 'popular opinion'. The Cabinet dropped the proposal after this warning from Woolton, 'Not only is the levy universally unpopular, government supporters as well as government critics strongly believe it is wrong .... I do not believe that it will survive debate in the Commons'.[93]

As a result the BTC received no financial compensation for the loss of road transport – something which it considered to be its most profitable activity, and the one with the strongest potential for growth.

Unsurprisingly, there was opposition to the Conservatives' proposals from the trade unions which still strongly supported nationalisation of all inland transport, despite their disappointment with union representation on

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[89] Viscount Swinton (Commonwealth Relations), 1952-55.
[90] Cabinet Conclusions, 29 November 1952, PREM11/559.
[91] Chancellor of the Duchy of Lancaster 1952-55.
[92] Woolton to CCTP, 22 September 1952, PREM11/559.
[93] Woolton to CCTP, 2 October 1952, PREM11/559.

the management boards. At the September 1952 TUC Conference, James Figgins, General Secretary of the NUR since 1948, moved a resolution on behalf of the three railway unions condemning the 1952 White Paper. A specific objection was the lack of prior consultation with the unions about the effects of the changes. The long-term impact of this trade union opposition to private ownership of road transport became apparent later, when the unions proved intransigent towards the introduction of new working practices designed to improve operating efficiency and greater transport integration.

The Transport Act of 1953 followed the White Paper and encompassed many of its proposals. Its intention was to remedy the practical deficiencies in the BTC's management structure, and this was not simply a question of the troubled relationship between the BTC and the RE: there was also the problem, as the Institute of Public Administration put it, of the 'very complexity of the organisation'.[94] In order to remedy these problems the Minister abolished the RE and the other executives[95] (with the exception of London Transport which was retained for one year) on 19 August 1953, with the change to be effected from 1 October. The size of the BTC was increased from nine to fifteen, in order to compensate for the demise of the other executives.[96] Despite the conflict between the BTC and the RE, and the BTC's efforts to get the RE abolished, almost all of the RE's members were appointed to identical or similar posts in the newly

[94] Institute of Public Administration, 'The organisation of British Railways', *Public Administration,* autumn 1952, p. 280.
[95] The other executives were: Road Transport, Docks and Inland Waterways, Hotels and London Transport.
[96] Under the BTC (Railway Organisation Scheme) Order 1579.

reorganised BTC.[97] This indicates that the BTC considered the management problem to have been very much one of structure rather than personnel. Even so, the effect was that the government's desire for change in the management of the railways was left largely in the hands of the existing senior managers.

The key to reorganisation was:

> Within twelve months of the passing of this Act or such longer period as the Minister may allow, the Commission shall prepare and submit to the Minister a scheme for the re-organisation of that part of their undertaking which consists the operation of the railways. [98]

So within a year the BTC was expected to produce a new organisational structure, with new area authorities to manage transport operations in their region. In consequence, the CROs submitted proposals to the BTC that 'as the RE and all of its links are wholly redundant, the CROs should take over all the work of the RE and be judged on results'. [99] Although change to this extent was not introduced, the new structure for the management of the BTC developed by Robertson did give the new area authorities greater autonomy.

Gourvish observed that 'to promote efficiency within the new bodies, a measure of inter-area competitiveness would be encouraged by the publication of regional statistics of operating costs'. These elements were mandatory under Clause 16 of the 1953 Transport Act.[100] However, the BTC strongly opposed this requirement, arguing that it would create a straitjacket on the precise operating costs and statistics which they were

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[97] Hurcomb and Riddles retired with all other the members of the RE being offered posts with the BTC, AN 85/6.
[98] Transport Act 1953, Section 16 (1).
[99] CROs to BTC, 18 May 1953, AN6/49.
[100] Gourvish, *British Railways*, p. 139.

required to publish.[101] In the event the requirement proved to be impractical, owing to the volume of inter-regional transfers.

The new railway organisation did not come into effect until 1 January 1955.[102] Gourvish described the interregnum between the demise of the RE and the introduction of the new arrangements as 'this long and uncomfortable interval [which] was very unfortunately timed', adding that the 'new era of direct control of the railways by the Commission began in an atmosphere of pronounced managerial gloom'.[103] Bonavia accepts that these changes presented a real challenge to higher management: 'seen from the angle of headquarters the new organisation presented many difficulties'. But he also offers an alternative view to Gourvish, as far as the regions were concerned, the new Chief Regional Managers welcomed the changes, for their status had been greatly improved and regional morale rose.[104] However, the CRO's hopes of a truly decentralised structure as envisaged by the Conservatives proved forlorn. As Gourvish explains,

> The list of former Executive functions which the BTC decided to reserve for itself was a long one: labour relations of a major character; the general level of charges; broad financial control; commercial policy; the design and manufacture of rolling stock; the policies and principles to be adopted in railway operation; the inter-regional distribution of wagons. The regional managers might well have wondered what was left'. [105]

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[101] Notes by the BTC on the provision of area operating costs and statistics, 28 October 1954, MT124/70.
[102] Under the BTC (Railway Organisation Scheme) Order 1579, MT124/70.
[103] Gourvish, *British Railways,* p. 142.
[104] Bonavia, *Organisation of British Railways*, p. 66.
[105] Gourvish, *British Railways*, p. 148.

Decentralisation, so important to the Conservative's attempts to make industry more competitive proved as difficult to achieve on the railways as it did in the electricity industry. The Electricity Act of 1957 introduced a new Electricity Council and a decentralised system of area boards responsible for policy development, economic and engineering performance, and commercial behaviour. However, Hannah observes that although this initially delighted the area boards and Conservative back-benchers it became increasingly clear that this did not work and it is difficult to see any significant changes in the policies pursued by the area boards.[106]

Crucial for the successful development of this new scheme was the Chairman of the BTC. To manage the change, General Sir Brian Robertson was appointed as the new chairman on 31 August 1953, on the retirement of the 70 year-old Hurcomb. From the outset there were criticisms that Robertson was not easy to work with; his minister, Boyd-Carpenter, considered that it took six months before he managed to get on human terms with him.[107] Robertson was nevertheless praised by his minister for his outstanding personal influence upon railwaymen and their morale.[108] Gourvish notes that Robertson is reported to have stated that 'when the late Prime Minister asked me to take on my present job, he specifically told me I should give the railways leadership'.[109] Yet, the manner in which Robertson gave leadership was not always appropriate, and this caused some difficulties. Gourvish identified 'seeds of potential conflict' in that Robertson 'soon made it clear that he had but scant regard for railway officers and

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[106] Hannah, *Engineers, Managers and Politicians*, p. 208.
[107] Boyd-Carpenter was Minister of Transport and Civil Aviation from 28 July 1954 to 20 December 1955.
[108] John Boyd-Carpenter, *Way of Life* (London, 1980), p. 113.
[109] Gourvish, *British Railways*, p. 143.

claimed it was his duty to inject "backbone" into the BTC's organisation. He did not see his brief as being merely to preside over decentralised management bodies' rather; 'he was required to manage the railways, to be their chief executive'. [110] Also, Robertson approached his task with a mentality based on his military experience, with its expectation of duty and command from above.

The effectiveness of Robertson's new management structure was debatable; Gourvish describes the organisation as complex, cumbersome and rather remote.[111] Bonavia also found the machinery of management unwieldy: 'aspects of the scheme soon evoked criticism. It was difficult to say where the ultimate responsibility really rested for originating policy. Did it lie with the General Managers, with the Area Boards or with the Sub-Commission or with the Committees of the Commission?' [112] The new structure created the possibility of five additional layers of responsibilities above area boards and led to dissatisfaction from the Chief Regional Officers, who disliked the loss of autonomy in decision making – a conflict later identified by the Special Advisory Group as a major operational weakness.

Introduction of this new structure required abolition of the Railway Executive. This important change requires close investigation, particularly given a later conclusion from a BTC member: 'what destroyed the Executive was a combination of politics, personalities and nostalgia'.[113] One might reasonably add to this a lack of real progress in modernisation, unification

[110] Ibid., p. 143.
[111] Ibid., p. 157.
[112] Bonavia, *Organisation of British Railways*, p. 75.
[113] H. P. Barker in 1960, cited in Gourvish, *British Railways*, p. 67.

and efficiency. Aspects of the media were also critical of the RE; the *Reading Standard* described it as 'the bulky excrescence that had grown up in the name of the Railway Executive'.[114]

The stimulus for the new structure was for the most part the management problems between the Commission and the RE, but these difficulties had been intensified by the RE's conflict with the Chief Regional Officers. Their main complaint turned upon confusion over the decision-making process and the management responsibility for staff: the CROs' were in the invidious position of having their senior staff responsible not just to themselves, but also to RE members. They were also highly critical of the manner by which major decisions were made by the RE without proper consultation with the regions. Gourvish argues that this feature emanated from Hurcomb's hostility to the concept of regional general management, and his determination to eliminate it from the new organisation. This meant that 'in consequence, the Executive was almost encouraged to strip authority from men who had been accustomed, in their former positions, to a considerable degree of independence'.[115] Whatever the cause, it certainly rankled with the CROs, of whom the most outspoken was Grand of the Western Region. Grand complained that requirements for coach building, wagon design, the re-organisation of District Operating Superintendents' Offices, and revised signalling arrangements and practices were being introduced without any reference to them.[116] Ironically the Western Region simply ignored many of these new measures, most notably for signalling, and continued to perpetuate GWR practice for many years after.

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[114] *Reading Standard*, 2 October 1953.
[115] Gourvish, *British Railways*, p. 55.
[116] Memo from Chief Regional Officer WR to the RE, 21 September 1951, AN6/6.

The CROs also argued that the railways had operated most efficiently during the Second World War, when the whole system was directed by a Railway Executive Committee composed of the General Managers of the Big Four assisted by a small secretariat. While the CROs agreed that central control and distribution of freight-rolling stock was essential, they also believed that a similar degree of autonomy in the regions would encourage competition and distinctiveness, stating that 'individual regional characteristics could assist in the development or re-creation of local traditions so conducive to operating effectiveness'.[117]

The RE achieved only limited success in rationalisation, efficiency and modernisation. Furthermore, Bonavia described it as a body 'which sometimes seemed to be complacently solving yesterday's problems'.[118] In its six-year existence it created 27 committees, each responsible for a separate aspect of railway management.[119] Yet, despite such apparent attention to detail, only 351 miles of uneconomic routes were closed, as route mileage fell to 19,222 by the end of 1953.[120] The RE seems to have laid much of the blame for this on the CROs, as Elliot exhorted them to be vigorous in achieving line closures.[121] While a number of diesel-shunting locomotives were constructed during the same period,[122] not one main-line diesel locomotive was ordered. Moreover, the RE staff were criticised for being too concerned with purely internal questions of standardisation,

[117] Meeting of CROs and members of the RE, 11 September 1952, AN6/39.
[118] Bonavia, *British Rail the First 25 Years*, p. 62.
[119] Committees of the RE, AN6/22.
[120] See Appendix 1, p. 340.
[121] Elliot to CROs, 27 April 1951, AN6/5.
[122] The majority of which had been ordered by the Big Four prior to nationalisation.

unwilling to embark on integration of road and rail transport and insufficiently progressive.[123]

Despite such criticisms, Gourvish declares that 'the Railway Executive had succeeded in making a unified approach to railway working an established fact'.[124] This is a generous and debatable interpretation; and he himself accepts that 'the integration of the Commission's freight services was also limited'.[125] Despite the introduction of a standard form of regional organisation and the break-up of the empires of the former Chief Mechanical Engineers, local practices and loyalties proliferated until well after the Beeching era. Nowhere was this more apparent than in locomotive practice, Gourvish suggests that here 'some progress was evident by the end of 1950. The first standard designs for steam locomotives and carriages were introduced'.[126] Yet these locomotives were initially disliked and under-used, and anyway by the end of 1953 only 345 standard locomotives were in service – this in a total BR stock of over 19,000 units – and so were hardly likely to have made a real impact on operation and practice.

The Railway Executive's waste of resources on traction policy was matched by its policy on continuous brakes, where there was much vacillation and consequent delay. Plentiful evidence existed on the potential costs of the various braking systems, and substantial experience of the operating principles. A lack of continuous brakes on freight trains had long been a major constraint on the ability of the railways to move merchandise and minerals quickly and efficiently. The major problem was the need for

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[123] Bonavia, *Organisation of British Railways*, p. 56.
[124] Gourvish, *British Railways*, p. 67.
[125] Ibid., p. 116.
[126] Ibid., p. 54.

heavy freight trains to make frequent stops on steep inclines, in order to pin down wagon brakes and avoid runaways. After negotiating the hazard, a further stop was then required to release the brakes. This method became a serious limitation when advances in traction allowed an increase in line average speeds and weight of loads. Two alternatives, the vacuum-brake and air-brake systems had been widely tested and used both in Britain and abroad.[127] Yet initially under the RE there was no effective standardisation to ensure use of the more efficient and flexible air-brake system. This had been adopted by the Great Eastern, Caledonian and North British Railway and several other companies, and for suburban electric trains (because compressed air was required for electro-pneumatic control systems).[128] But vacuum-brakes were standard elsewhere, meaning that British practice was out of line with many European countries and the USA.

Given these circumstances, it is difficult to understand why the RE did not take a more determined approach to the adoption of the superior air-brake system. Riddles had explained that vacuum brakes were not sufficiently flexible for heavier trainloads operated by more powerful locomotives: if the braking system was effective enough to stop a heavy train, it was found to be too strong and incapable of proper control when the train was unloaded.[129] This lack of decisiveness by the RE hindered operational progress, for it was not until the advent of the Modernisation Plan in 1955 that a Continuous Brakes Panel 'pronounced itself firmly in favour of making the air-brake standard equipment on British Railways'. Yet

[127] It was first examined by the Royal Commission on Railway Accidents in 1875 which after a series of trials found the air-brake to be vastly superior to the vacuum-brake.
[128] A fuller description of braking systems can be found in Jack Simmons and Gordon Biddle (eds.), *The Oxford Companion to British Railway History* (Oxford, 1997), p. 42.
[129] Meeting of BTC and RE, 7 May 1953, AN13/2678.

even this position was short-lived, because in February 1956 'the Commission in deference to regional opinion, decided to retain the vacuum-brake', a decision which proved costly before it was finally reversed in 1964.[130] Although the debacle on brakes reflects badly on the management of the railways and not just the RE, it was this body which was responsible for developing standardisation and technical advance, which in this instance it clearly failed to do.

A further failure to accelerate technical advance occurred with couplings, because continuously-braked trains required that all wagons be fitted with heavier screw coupling. This change was resisted by the railway unions because of the additional time and increased physical efforts required to couple and uncouple wagons. As a result, this issue also remained unresolved until the advent of the Modernisation Plan.

In one specific area – the ability to maintain market share by improving the standards of service – Gourvish does accept that the performance of the RE was disappointing, concluding that 'despite this seeming security [share of traffic was 28% of all passenger and 49% of all freight in 1947], the Executive's operating performance was dismal from the very start'.[131] A key reason was lack of emphasis on customer needs for bothfreight and passenger traffic, a remarkable deficiency which continued under the new organisation with significant repercussions.

The third element of the 1953 Transport Act related to the legal requirements imposed on the BTC with regard to its fares and freight rates policy. What changes were required in these in order to improve the

[130] Report of Continuous Brakes Panel, September 1955, AN13/2678 and Gourvish, *British Railways*, p. 157.
[131] Gourvish, *British Railways*, p. 92.

competitive position of the railways, while at the same time protect the wider interests of the consumer? *Transport Policy* had recognised the need for change:

> The Commission will be given greater latitude to vary their charges schemes so as to improve the ability of the railways to compete with other forms of transport. Within prescribed limits they will be free to raise or lower their charges with subsequent approval by the Transport Tribunal and subject to the over-riding powers of the Minister.[132]

As a result the 1953 Transport Act stated that charges were to be left to the Commission's discretion, and no conditions or limitations were imposed on that discretion.[133] These changes included: the ending of the legal requirement not to offer any customer preferential treatment in terms of charges, and the requirement to publish all freight rates. This amendment was tempered by the retention of the common carrier principle – the obligation to carry goods presented regardless of the cost or complexity – and by the fact that other transport users were given the right of objection to the Transport Charges Tribunal, which retained jurisdiction over maximum charges and rates. This led to criticism from the BTC, because the Tribunal had proved to be a severe restriction on both the timing and level of increases in charges. For example, in 1955[134] a new scheme for freight rates was proposed by the BTC and put to the Tribunal. An enquiry was then set up, which lasted for 44 working days and produced a transcript of proceedings which ran to one and a quarter million words. Such lengthy arguments delayed the introduction of the new scheme until July 1957. Worse still, the increases were below those applied for almost two years

[132] Transport Policy, para. 14, p. 3.
[133] Transport Act 1953, Ch.13, section 20, para. 2d.
[134] The scheme had been proposed earlier but had been delayed by the 1953 Transport Act.

earlier. There were also burdensome bureaucratic demands, such as the need for the BTC to provide a statutory classification of commodities encompassing over 4,000 individual items in 21 classes, with the comparative value of the commodity determining class and standard charge per mile.[135]

Therefore, although there was a clear intention in the 1953 Transport Act to free the railways from restrictive legislation concerning charges, the need to protect the public interest effectively precluded real commercial freedom. Even so, the BTC was of the opinion that the changes introduced had a clear and necessary rationale and that after its first five years of existence it had become necessary to review the management structure imposed on foundation. As a result it stated in its 1953 Annual Report:

> The year was one of change and stress from which the Commission emerged with an organisation considerably remodelled and with renewed confidence in the ability of the undertaking to perform the functions assigned to it in the country's economic life. The Commission had also reached the conclusion that the three tier organisation comprising Commission, Executive and Region was no longer suitable to flexible and commercial methods of management.[136]

Such confidence was qualified later in the same report, when it was stressed that despite the changes further progress was still required, and that this could be achieved only after some years of freedom from major disturbances.

III

Arguably the most significant problem facing the management of British Railways was the need to control costs to match its revenue. Given that the

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[135] Merchandise charging scheme, Appendix O, MOT 10 August 1956, MT132/32.
[136] *BTC Annual Report and Accounts 1953*, para. 36, p. 7.

major cost of providing railway services was wages, it is necessary to examine the management performance on this issue. As Gourvish stated, 'the cause of greatest concern was undoubtedly the cost of labour'.[137] The BTC estimated that no less than 62% of railway operating costs were made up of staff costs, and that the average weekly earnings of railwaymen had doubled between the years 1938 and 1948, while a reduction in the working week from 48 to 44 hours had been introduced in June 1947.[138] As a result, the railway's wage bill increased from £222m in 1948 to £265m in 1953, a rise of 19%.[139]

A second element which influenced the financial state of the railways related to the burden of fixed costs, incorporating the initial (for 1948) annual payment of £28m[140] of interest charges on BTC Stock. Loft argues that the former railway companies' shareholders were the major beneficiaries of nationalisation.[141] But this view discounts the significant element of British Transport Stock issued *after* nationalisation, to provide finance for the purchase of the BTC's substantial road-haulage organisations.[142] Furthermore, although the BTC found these interest costs to be burdensome, it accepted they had to be paid, otherwise the public would have considered the railways insolvent.

Bagwell assessed the financial position of the BTC very differently, arguing that in the first years of nationalisation, between 1948 and 1952, the

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[137] Gourvish, *British Railways*, p. 98.
[138] *BTC Annual Report and Accounts 1950*, pp. 54-5.
[139] Gourvish from BTC Reports, *British Railways*, p. 99.
[140] Gourvish, *British Railways*, p. 27, calculates the figure at £27·2m, Bagwell, *The Railwaymen*, p. 603 at £31m.
[141] Loft, 'Re-appraisal and reshaping', p. 72.
[142] The minutes of the meetings of the BTC provide details of such issues in AN85/1 to AN85/16.

BTC was profitable. However, this interpretation relied on the unusual accounting practice of ignoring interest charges on compensation stock, capital charges, central administration expenses and freight rebates.[143] Even so, the fact remains that the BTC, under normal accounting practice operated with a substantial deficit, and management paid insufficient attention to its reduction.

These financial deficits forced the government to consider its options, and in September 1952 the Cabinet Committee on Transport Policy examined the issue. While it accepted the moral and political obligation to meet the full interest due on BTC stock, it considered whether it was possible and indeed desirable for the BTC to lose some of its financial liability.[144] If it did, any payment to reduce the burden of fixed costs would in effect be a subsidy to the railways, something not at that time politically acceptable. As a result, the issue lay dormant until January 1954, when finance again became a pressing issue. For, although the annual deficit had been reduced by the end of 1953, a cumulative deficit of over £60m was predicted by the end of 1955. In response, the BTC requested that the proviso enshrined within the 1953 Transport Act of breaking even taking one year with another should be liberally interpreted.[145] As a result, the extent of government involvement in railway affairs further increased, as the Treasury understandably needed to be informed of the BTC's plans, because the deteriorating financial position might require new borrowing powers. This prompted an acceptance by the BTC of a need for Parliament to have fuller

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[143] Bagwell, The *Railwaymen*, p. 634.
[144] Cabinet Committee on Transport Policy, 10th meeting, 19 September 1952, PREM11/559.
[145] Robertson to Lennox-Boyd, 7 January 1954, MOT 'A' Division Files, MT124/46.

information on its activities, and it agreed to supplement the Annual Reports with communication through informal channels to 'provide a useful bridge across a gulf which is felt to exist'.[146]

Attempts to reduce costs in such a labour-intensive industry should have centred on labour productivity, but as has already been shown railway management too often appeared pre-occupied with labour shortages in key areas. Opportunities to link pay rises to productivity were not always taken; for example, in the February 1951 wages agreement a 7·5% pay offer was accepted by the railway unions without it being made conditional on the acceptance of specific proposals to raise productivity.[147] Little changed in the following years, and Hardy recounted:

> In the 1950s Stratford depot in London was 'riddled with restrictive practices which hindered the execution of repairs and planned maintenance', and that 'prior to dieselisation salaried supervision of maintenance was non-existent between half past five in the evening and eight in the morning'.[148]

Productivity was not given the attention it deserved, and as has already been shown opportunities for greater labour-efficiency in problem areas such as traction were not taken until the advent of the Modernisation Plan.

The BTC was at least fortunate in inheriting a well-developed structure of labour relations, and initially a positive and co-operative labour force. Those structures were the result of well over a century of development. From the 1840s the numerous railway companies acted from necessity, as safety issues were imposed through a combination of iron discipline and strong paternalism towards the workforce. This approach

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[146] *BTC Annual Report and Accounts 1953*, para. 70, p. 13.
[147] Gourvish, *British Railways*, p. 131.
[148] Hardy, *Beeching*, p. 15.

incorporated many features now common in employer-employee relations, but which before 1923 were little short of revolutionary. These included: the provision of large-scale housing schemes, staff savings banks, sports and recreation facilities, welfare services, holidays, cheap travel, pensions and sick funds. Initially the disbursement of these benefits by the railway companies encouraged loyalty and staff retention.[149]

Consequently, industrial relations on the railways did not have the extreme adversarial tradition of the coal industry. But with nationalisation relationships began to change. One causal factor in the perceived poor performance of railway workers reported in January 1948 to the Winter Transport Executive Committee was that there had been uncertainty arising from the unknown effects of socialisation of their industry.[150] Furthermore, by the 1950s life-style and economic expectations had altered, and according to Hardy 'many [young men] left the railway through an understandable antipathy towards constant early and late turns which precluded any social life worthy of the name, whilst older men left to take relatively unskilled work with no prospects but infinitely better pay'.[151]

A further main labour issue concerned the workforce's desire to protect and even increase standards of living during a period of inflation, and later their response to concerns with job security. As Bagwell concluded, 'these [railway losses] were the grim realities which made so formidable the main task of the NUR in this period – the maintenance of the standard of living of the railwaymen'.[152] Even so, the railway's industrial relations record

[149] R. S. Joby, *The Railwaymen* (Newton Abbot, 1984), p. 152.
[150] Linsdell (MOT) to WTEC, 8 January 1948, MT6/2828.
[151] Hardy, *Beeching*, p. 15.
[152] Bagwell, *The Railwaymen*, p. 641.

remained good and relatively stable. While there were a number of local disputes in each year from 1948, there was no national strike action until 1955, although such action had been threatened during a number of wage disputes. A factor in this was that the Churchill and Eden governments adopted a more reserved attitude towards labour unrest and strikes than Attlee's governments of 1945-51. Also, economic growth increased, standards of living began to rise, and labour unrest fell. Relations with the unions were generally amicable, and ministers were less likely to blame communist agitators than their predecessors.[153] The military were involved during strike action 14 times under Attlee, but only once each under the Churchill and Eden governments. In particular the lesson was learned from the docks' oil distribution strike of April 1953 – that deploying the military was more likely to increase the impact of industrial action than to resolve it, as sympathy strikes could cause even greater damage to the economy and society. As a consequence, some powers designed to deal with crises were abandoned, but others were retained, notably by the MOT, which continued a well-developed regional system under which emergency machinery could be used. The disputes in the oil, docks and railway industries in 1955 saw the revival of official machinery which had been dormant since 1950.

Despite such overall stability of industrial relations there were pressures on the BTC for wage increases, the implications of which often resulted in government intervention. In July 1953 the NUR claimed for wage increases of up to 15% and rejected the Wage Tribunal's arbitration award of 6 December. The NUR then called a national strike on 20 December which

[153] Keir Thorpe, 'Rendering the strike innocuous', *Journal of Contemporary History*, 35 (2000), p. 577.

led to involvement by Walter Monckton, the Minister of Labour, who mediated to avert the strike threat, and a settlement was agreed on 16 December. The result was that the BTC was forced to accept a larger increase than agreed by the independent wage tribunal, and that a precedent of government intervention into railway wage disputes was firmly established.[154] As Gourvish concludes 'this capitulation to union demands and government pressure certainly seems a failure on the part of the BTC in the sense that it was scarcely comparable with the railway's declining financial position and did nothing to prevent further union demands in 1954 and 1955'.[155] While this is true, Gourvish accepts that the conclusion is overly simplistic and 'that the situation was of course more complex than that',[156] on the basis that it was the government's attitude rather than the BTC's that was the more important in securing a larger wage increase.[157] In addition there was a further complication – competition between the two main railway unions, the NUR and ASLEF, which resulted in the Commission being subject to a game of leapfrog between them.[158]

There was another feature: although the railway unions enjoyed wide worker support and were well organised, they were not always in full control of their membership. This can be seen from the unofficial strike of 2,500 Western Region locomotive drivers and firemen in protest against the re-introduction of lodging-turns,[159] which had previously been agreed with the

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[154] MOT National Transport Division, wage rounds with particular reference to railwaymen, undated, MT87/33.
[155] Gourvish, *British Railways*, p. 219.
[156] Ibid., p. 219.
[157] Ibid., p. 220.
[158] Ibid., p. 221.
[159] The highly unpopular roster of driver and fireman being required to work long distances, stay overnight at their destination and return home the next day.

unions. This strike took place during May 1954, and resulted in the cumulative loss of 194,000 man hours.[160] It was another factor which contributed to the loss of business and further undermined the competitive position of the railways.

It is therefore not surprising that the BTC considered 1954 a difficult year in operational and financial terms, as the need to fund the substantial wage increases led to a decline in its financial position. By the end of that year staff numbers had fallen to a total of 577,183, yet costs continued to rise and the wage bill increased by £18m. Allied to this was the difficulty of recruiting and retaining staff for footplate duties, and for track and signalling maintenance. Also recognised was the need for a concerted drive on recruitment in certain areas, although this was not supported by an effective policy of re-training and re-deployment of surplus labour. Rather, it was hoped that increased modernisation and mechanisation would resolve the shortages, and bring about a reduction of staff in other grades.[161] This approach, defined by Tomlinson as a faith in scale and technology as the route to economic success,[162] was to be tested under the Modernisation Plan of 1955.

IV

During this period when railway management was coming to terms with organisational changes and operational deficiencies, a perception began to develop in the minds of the public that the railways were old-fashioned and inefficient. It coincided with economic, social, and cultural changes which

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[160] Action by the railway unions, Appendix IV Royal Commission on Trades Unions and Employers Associations, November 1965.
[161] BTC minute 7/545, 28 October 1954, AN85/7.
[162] Tomlinson, 'Liberty with order: in Francis and Zweiniger-Bargielowska (eds.), *Conservatives and British Society,* p. 285.

increased the popularity of motor transport, and contributed further to the railway's decline for both passengers and freight. The extent of that decline can be seen from Gourvish's calculations of BR share of all passenger transport (in an expanding market) from: 1947 – 27·6%; 1948 – 26·1%, 1949 – 23·9%, 1950 – 22·5%, 1951 – 22·1%, 1952– 21·5% and 1953 – 20·7%. He also shows that the increase in public road transport between 1949 and 1953 was negligible,[163] in contrast to the rise of private transport increased from 26,000m passenger miles in 1948 to 42,100m in 1953.[164]

According to Plowden, this increase in private motoring effectively began 'with the strikingly abrupt change from austerity to affluence when new car registrations reached 190,000 per year and the motor car finally ceased to be mere extravagance and became instead one of the most characteristic attributes of modern industrial society'.[165] The impact was wide and multi-faceted, for as the railways had done a century before, the car influenced society not only economically, but also in a complex socio-psychological manner. It became a cultural icon and a metaphor for modernity. Unlike the railway, the impact of the motor car was manifested in numerous other ways, perhaps most notably as an indicator of wealth, but also in the sensual and sexual dimensions at a time when socialising, consumerism, and leisure became intertwined. This process required a freedom of movement of greater frequency, something which simply could not be offered easily by the railways. At the same time the attraction of

[163] From 49,900m to 50,700m passenger miles.
[164] Gourvish, *British Railways,* Appendix D, p. 615.
[165] William Plowden, *The Motor Car and Politics* (London, 1971), p. 323.

motoring was reinforced through the car being presented in films and literature as a symbol for freedom.[166]

Freight traffic experienced a decline, although it was not as rapid as that to be experienced later. In 1948 rail enjoyed a 48·5% market share of all freight ton miles, a figure which had fallen to 44·3% by 1953.[167] The growth of road transport had started in the 1930s, and for Peter Scott it represented nothing less than a second transport revolution, which the railways were unable to counter – largely because of the legislative framework under which they operated.[168] Even after nationalisation the railway's competitive position was still hindered by common carrier legislation.

By the early 1950s the cumulative impact of technical advances had transformed the reliability of the internal combustion engine and its application to the motor vehicle. Furthermore, increased incomes had made private motoring more widely available. The result was a massive improvement in the capability of road transport both for private and commercial use causing a serious undermining of the competitive position of the railways in the transport of goods traffic, other than basic materials. Initially, the railways retained the long-distance market, but even that came under threat from road competition as the road system improved. While the railways enjoyed the advantage of a national system and substantial cheap warehousing facilities, they were disadvantaged by the need for expensive and time-consuming trans-shipment with the associated high risk of damage

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[166] The cultural impact of the car is outlined in Davis Thoms, 'Motor-car ownership in twentieth century Britain, A matter of convenience or a marque of status', in David Thoms, Len Holden and Tim Claydon (eds.), *The Motor Car and Popular Culture* (Aldershot, 1998), p. 43.

[167] Gourvish, *British Railways*, p. 616.

[168] Scott, 'British Railways and the challenge from road haulage', p. 101.

and theft.[169] In addition, the road haulier had been able to choose whether to accept business or not, but the railways with its common carrier public service obligation did not have this freedom.

In parallel with these developments were technological changes affecting manufacturing, making it less reliant on traditional heavy industry, more consumer goods orientated, and consequently more dispersed. The outcome was a massive increase in the number of licensed commercial vehicles operating in Britain.[170] This growth can be seen in Appendix 1 (p. 340), which tabulates the number of all licensed vehicles, with an index of change from the base year of 1948. These changes were substantial, rising from its 1948 base to reach 189 only 9 years later. Such an inexorable rise in motor transport had a significant and deleterious impact on the revenues generated by the railways.

For the advantages of technical advances in vehicles to be fully realised, improvements to the road infrastructure were essential, a process already achieved in much of Europe and North America. There, motorways had been constructed even before the Second World War, and it was simply a matter of time before such provision was demanded in the United Kingdom. That time duly arrived with the advent of the motorway building programme, which Boyd-Carpenter as Minister of Transport announced in the House of Commons in February 1955. This was not before time as there had been a substantial increase in road transport, and as Scott's study on the level of capital spending on Britain's transport infrastructure reveals, the

[169] Barnes reported to the CCSI that pilferage claims were a serious issue of a sufficient magnitude to influence trading results, 22 July 1949, CAB134/690.

[170] The 1933 Road Traffic Act created 3 types of licence: 'A' for vehicles which carried exclusively for hire or reward, 'B' for operators who carried their own goods and also carried for others, and 'C' for those who carried only their own goods.

level of investment on the road network had been sub-optimal and clearly lagged behind other European countries. Government priorities lay in different areas, and opportunities to contribute to higher economic growth through improved transport facilities were missed, especially as many road schemes offered investment opportunities with potentially high returns.[171] This under investment can be seen in comparison with other European countries: in 1955-56 the UK total expenditure on roads was 6·3US dollars per capita, compared with Denmark at 14·2, France 12·5, West Germany 13·0, Ireland 10·0, Norway 17·5 and Switzerland 16·6.[172]

Even so, the implementation of the motorway construction programme led to increased competition for the railways through the speeding up of long-distance passenger coach and road freight services. It also boosted domestic car ownership, and the resultant traffic losses conspired to undermine further the financial position of the railways during a period of increasing pressures on costs, particularly wages.

V

Arguably the single most important justification for nationalisation had been that only under public ownership could the railway industry meet the necessary objectives of modernisation and reconstruction. Yet the evidence from the first decade of the nationalised railways indicates that little had been achieved in both areas. Seldon is critical of government policy towards the railways on the grounds that not enough was invested in them,[173] but this

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[171] Peter Scott, 'Public-sector investment and Britain's post-war economic performance: A Case study of roads policy', *Journal of European Economic History*, 34 (2005), p. 391.
[172] Ibid., p. 413.
[173] Seldon, *Churchill's Indian Summer*, p. 233.

argument cannot be sustained in the light of the still substantial resources allocated to the railways. The problem was the management's inefficient use of them. Although the railways received less than they wanted, the decisive constraint on modernisation was a combination of sclerotic and short-sighted thinking which dominated management decisions at almost every level. This failure to make more efficient use of the not insubstantial investment resources made available, meant that the opportunity to provide a proper foundation for modernisation had been lost. Much of the responsibility for this deficiency can be apportioned to the BTC and the RE, most of whose members had been selected on the basis of a common cultural background, rather than their commercial understanding and management flair.

Nationalisation had simply not achieved the anticipated aims of the Labour government, with the result that the incoming Conservative government sought to develop an alternative approach to management and operation of the railways – a process which would be repeated in the future. Both the nation and the railway employees had expected much from nationalisation, but little real progress had been achieved, and by 1954 very little appears to have changed apart from colour schemes and letter headings.[174] Although the introduction of the new Area Boards in 1955 enabled the BTC to claim that the benefits of reorganisation had become manifest, [175] the extent of such benefits was highly debatable. Yet once this series of management changes had been instituted, the political priority turned to the resolution of the enduring financial problems through greater

[174] D. Holmes, 'Keeping the records', *Steam Days*, April 1987, p. 30.
[175] *BTC Annual Report and Accounts 1955*, para. 12, p. 4.

operating efficiency. It was against this background that the Modernisation Plan developed.

CHAPTER 4
THE MODERNISATION PLAN

Relations between the BTC and the Government 1956-60 are the classic case of a government utterly misled – time and time again.

(R. Kelf-Cohen, *Twenty Years of Nationalisation* (London, 1969), p. 75.)

In January 1955 the British Transport Commission published *The Modernisation and Re-equipment of British Railways.* This chapter will consider the origins of this 'Modernisation Plan' and its implementation. An assessment of the quality of BTC management and strategic planning provides the basis for analysing the character and quality of the Plan. The effectiveness of the BTC in developing and implementing its own policies will then be considered, further developing lines of enquiry already raised: first towards traction and operating efficiency, second in labour, wages and productivity policies, and third on financial matters. These aspects, relatively under-studied in the academic literature, are vital for a proper understanding not just of the impact of the Plan, but also why this Plan proved to be the precursor to the Beeching Report.

In 1955, the question of railway modernisation was related to wider concerns about national productivity and the relative decline of the British economy.[1] Underlying the political disquiet was the perceived link between productivity and prosperity, because by this period the standard of living had become the most important electoral issue.[2] As the previous chapter noted, the Conservative government adopted a new approach, injecting greater

[1] For greater detail on relative decline see Tomlinson, 'Inventing decline', pp. 743ff.; Elbaum and Lazonick, *Decline of the British Economy*, pp. 567-583; M. W. Kirby, 'Institutional rigidities and economic decline: reflections on the British experience', *Economic History Review,* 45 (1992), pp. 637-660.

[2] Jim Tomlinson, 'Managing the economy, managing the people: Britain c.1931-70', *Economic History Review,* 58 (2005), p. 556.

economic liberalism into the activities of the public corporations in an attempt to resolve their structural and financial inadequacies. Where considered practicable, the policy was to denationalise and restore competition.[3] It also included further reductions in government controls, following through the election slogan to 'set the people free'. However, as Tomlinson indicates, economic liberalism created its own dilemmas for economic management and popular economic understanding;[4] and as Francis notes, change was to be engineered by an active state, as the Conservatives embraced a 'post-war settlement' built around the mixed economy and the welfare state.[5]

I

In considering the BTC's performance when preparing and implementing the Modernisation Plan, it is helpful to assess the extent to which it was capable of turning aspiration into practice, or more bluntly: what capacity did the BTC have to run its business? How far had it appreciated the pressing need for strategic planning, in order to implement changes necessary for responding successfully to a rapidly changing economy and society?

It has been seen that the BTC was responsible for management of an industry in which a 'nostalgic', conservative approach was ingrained into the workforce. The railways did provide specific training for management posts, and operate an apprentice scheme which gave its trainees wide experience of railway operation. Yet little was done to develop skills and alter attitudes through a training and education programme for its wider workforce. This is

[3] Green, *Ideologies of Conservatism*, p. 245.
[4] Tomlinson, 'Managing the economy', p. 551.
[5] Martin Francis 'Set the people free? Conservatives and the state 1920-60', in Francis and Zweiniger-Bargielowska (eds.), *Conservatives and British Society*, p. 59.

perhaps surprising given the number of senior managers recruited from the armed forces, where continual training was an integral aspect of operations. In contrast, on the railways the traditional method of training was to learn on the job, whether in the signal-box or driving a locomotive. The process for footplate staff was to enter as an engine cleaner and after gaining experience moving through the ranks, until passed to drive. Although in many depots experienced drivers ran voluntary mutual improvement classes for off-duty employees, the BTC itself provided no formal training, even in rules and regulations: employees were simply issued with a rule book and expected to learn the contents. As Ernie Rimmer (who worked on BR during this period) recounts: 'generally speaking [engine] drivers taught themselves', and 'training as such cost very little and experience, knowledge and theory was passed between men on duty'.[6] This process continued until 1958, and was modified only with the introduction of more diesels, plainly making traditional methods inadequate. Even then progress was limited and it was not until 1961 that each Motive Power District had its own training officer.[7] It had taken the BTC ten years before it introduced a proper training scheme, and even then it was undertaken not by managerial planning but from unavoidable necessity.

Further evidence of the BTC's lack of urgency in modernisation is provided by Fiennes, describing his tenure as the BTC's Chief Operating Officer. While working at headquarters, he attempted to introduce the merry-go-round (MGR) concept to deliver coal to the new power station at

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[6] Ernie Rimmer, 'Diesel (and electric) dawn – from the inside', *British Railways Illustrated,* 16 (2006), p. 423.

[7] Alec Swain, 'Memories of driver training – the transition from steam to diesel', *British Railways Illustrated,* 16 (2006), pp. 96-109.

Monktonhall near Edinburgh.[8] The initial requirement was estimated at 550 new (24·5 ton) wagons, but using the more efficient MGR system only 44 higher capacity (32·5 ton) wagons would suffice. The advantages of significantly lower initial capital costs and cheaper and more efficient operating should have been plain. Yet the scheme took over five years to be agreed by the BTC, because of disagreement with the NCB over which nationalised corporation should bear the cost of replacing traditional wagons which would not suit the new system.[9] This limited thinking and poor co-ordination between nationalised industries indicates a lack of managerial urgency to introduce newer, more efficient cost-saving techniques.

A similar problem was encountered by David Blee, the London Midland Region General Manager, when in June 1957 he attempted to develop a new business opportunity for the conveyance of cement in bulk. This required speedy investment in new volume-carrying facilities; otherwise it would have been transported by road. Yet initially the BTC appeared unimpressed, agreeing only to consider inclusion of the necessary investment in a later building programme – a delay which would almost certainly have lost the traffic. Blee was not deterred and made a strong special submission to the Commission, which eventually authorised the investment.[10]

Not only did understanding of changing market conditions and the gains from swift commercial action largely elude the BTC; it also failed to grasp the problems of an unwieldy organisation structure, developed by

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[8] Merry-go-round trains operate in fixed blocks of wagons and travel directly between colliery and power station.
[9] Fiennes, *I Tried to Run a Railway*, p. 80.
[10] Blee to BTC, 27 June 1957, AN6/56.

Robertson in response to the 1953 Transport Act. As we have seen, this created poor lines of communication and so an absence of strong managerial focus. This created management problems, for according to Bonavia the structure was cumbersome. The General Managers had to deal with their own Area Board, the Central Staff, the General Staff, the Railways Sub-Commission and the Committees of the Commission.[11]

Gourvish is also critical of the new management structure: 'it is clear, for example, that Robertson's organisation, while providing for decentralisation to Area Boards and General Managers, was in practice designed to leave much of the policy initiative at the centre', and 'the railways, the Commission's largest element, lacked any such focus and were caught up instead in the administrative tangle at Headquarters, with its Committees, Sub-committees, General Staff and British Railways Central Staff'.[12] These arrangements, and particularly the terminology in which they were expressed, led to criticism, even from members of the Commission, and Robertson found it necessary to defend his position and to clarify certain aspects of his management scheme:

I have had discussions with various members of the Commission about the co-ordination of staff work at headquarters. I am aware that the use of the word "staff" is not always understood here. If any of you are in any doubt as to what I mean by "staff work" I would refer you to the pamphlet on the subject issued by the American Management Association. While I do not regard the pamphlet as the perfect exposition of the subject, it does at least explain what is meant by "staff work", and it is written not by a soldier for soldiers, but by a business consultant who has never been a soldier in his life.[13]

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[11] Bonavia, *Organisation of British Railways*, p. 75.
[12] Gourvish, *British Railways*, p. 156.
[13] Appendix to BTC minute 7/186, 8 April 1954, AN87/7.

This statement indicates the concern towards what was perceived as the military style of management created by Robertson. Furthermore, his response hardly suggests coherence among the top echelon of management. In practice, the reformed railway organisation did not achieve greater efficiency, and Robertson presided over a greatly expanded BTC headquarters and an unwieldy hierarchy of management with the Commission at the head.

Among the contemporary critics was Elliot, formerly Assistant General Manager to Missenden on the Southern Railway, who after nationalisation became CRO of the Southern Region, then Chairman of the RE and after its demise Chairman of the LPTB. He was therefore well placed to offer Robertson advice on the manner by which the BTC should manage the large-scale investment contained in the Modernisation Plan. Elliot, no doubt influenced by his examination of management structures in American railroads, recognised the weaknesses implicit in the cumbersome organisational structure developed by Robertson, and warned of the consequences if effective management was not maintained. He stressed the need for organisation to be thoroughly sound, and for every phase of the major schemes to be carefully programmed, properly costed, and driven through to completion quite ruthlessly. He concluded that without that discipline all kinds of difficulty would arise, which might cause estimates to be exceeded sometimes to an alarming extent – a remarkable anticipation of what did happen when the Modernisation Plan was implemented. [14]

[14] Elliot to Robertson, 25 June 1955, AN6/2.

Elliot's concern with costing was also raised and later given a high profile after the appointment in June 1955 of E. L. Gethin to the post of Supplies and Production Adviser to the BTC. According to Gourvish, Gethin 'had been extremely critical of the railway's procedures [in procurement] and was alone [in the working party set up to examine the problem] in proposing a separate Progress Section at headquarters under his control'.[15] Gethin was forced to resign after a new supplies organisation was introduced, but 'he refused to lie down'[16] and his charges of inefficiency were raised in the Commons by the Labour Opposition spokesman on transport, G. R. Strauss.[17] The result was an investigation into the issue by Sir Harold Howitt.[18] This proved generally supportive to the BTC, but even so in Gourvish's words 'the episode not only publicised obvious organisational difficulties in the railway industry but exposed to full glare a vital area of control which nearly all interested parties from Robertson downwards considered in need of tightening up'.[19] This issue was not new and should have been addressed earlier, particularly given the state of the railway's finances.

Other knowledgeable commentators also expressed concern. The editor of *The Economist* observed that:

For at least 15 years the railways have been starved of capital but the fruitful investment of capital is a very skilled job; it requires a boldness of judgement, a fine discrimination between alternatives, great elasticity of mind and an instinct to imagine what customers will pay for a long time in the future. But for a generation past the railways have not been run on the principles of imaginative capitalism.

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[15] Gourvish, *British Railways*, p. 159.
[16] Ibid., p. 160.
[17] G. R. Strauss, *HCDeb, 573, c.484*, 10 July 1957.
[18] Report on the purchasing procedure of the British Transport Commission (*Parliamentary Papers* 1956-7, Cmnd. 262, xix, 483).
[19] Gourvish, *British Railways*, p. 160.

Since the railways were turned into a 'corporate mastodon', the men who run the railways have been turned into bureaucrats and administrators who spend their lives in committees.[20]

Similarly the editor of *The Financial Times* commented:

The managerial standards of the nationalised industries are deplorably low and British Railways are technically one of the most backward in the world although in 1939 the British system was one of the most efficient.[21]

Despite the reforms initiated under the 1953 Transport Act, management of the railways remained a good deal less effective than it could have been. Gourvish's verdict seems accurate:

The overall impression of the BTC must remain that of a large and cumbersome body which failed to react quickly enough to the competitive challenge of road transport and the difficulties thrown up by the need to modernise the railways. The responses it offered in key areas were all too often ad hoc in character with only the retirement of senior officers to provide stimulus for action.[22]

Such management weaknesses did not augur well for the BTC's ability to supervise the complexities of the considerable investment programme contained in the Modernisation Plan.

II

During the first seven years of public ownership the railways had made only limited progress in the creation of a modern cost-effective and integrated system. The BTC had consistently argued that failure to achieve those aims was due to a lack of sufficient investment to finance change on the required scale. Here it has been argued that the deeper problem was that the available funds were used ineffectively. In any event, the BTC's claims about

[20] Millions for Cinderella, *Economist*, 29 January 1955, p. 34.
[21] *Financial Times*, 13 June 1956.
[22] Gourvish, *British Railways*, p. 162.

insufficient investment ceased after 1955, when the government accepted that substantial funds should be allocated for railway modernisation.

Gourvish argues that 'it is clear that the antecedents of the Modernisation Plan lie in the period of the Railway Executive',[23] though we have already seen that detailed strategic planning for the post-war reconstruction and modernisation had an even earlier history – with the four main-line companies. Lobbying by the BTC for additional capital investment began after the election of the Conservative government in October 1951. Reginald Wilson, the BTC's Financial Comptroller, 'was firmly of the opinion that something should be put down on paper and shortly after the dissolution of Parliament he encouraged Elliot and the Railway Executive to prepare a report on the railway's long-term capital needs'. [24] However, it was not until April 1953 that the RE produced the report: 'A Development Programme for British Railways'. Gourvish considers that it 'bore all the signs of having been hastily put together',[25] yet much of the 1955 Modernisation Plan appeared to have been closely based on this RE report. Elliot certainly considered that the report had provided the foundation for the Modernisation Plan. He expressed disappointment that the RE had not received any credit for it in Robertson's submission of the Modernisation Plan to Boyd-Carpenter.[26] The disappointment is understandable given that Gourvish found that of the planning team's 16 members, 13 had been at headquarters prior to 1954, and these included 5 of the team which had drafted the 1953 programme.[27]

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[23] Gourvish, *British Railways*, p. 257.
[24] Ibid., p. 257.
[25] Ibid., p. 258.
[26] Elliot to Robertson, 25 January 1955, AN6/2.
[27] Gourvish, *British Railways*, p. 264.

Despite the weaknesses in the management structure of the reformed BTC, this acceptance of the need for investment planning and consideration of the means to obtain the necessary funds did indicate signs of greater strategic thinking. This became further apparent in autumn 1953, when the newly appointed Robertson raised the issue of additional capital expenditure with Lennox-Boyd, and particularly the need to discuss how it would be financed. Developing this theme of investment for modernisation was the April 1954 BTC publication, *Reorganisation of the Railways*, which stressed that the 'Commission are of the view that there is great scope for an improvement in the railway system'.[28] Moreover, by mid 1954, with a stronger national economy, the government was able to contemplate making more investment funds available on the scale which the BTC indicated as necessary. As a result the Treasury were informed that the BTC wished to come forward with a big programme of additional capital development covering the next 10 to 20 years. The extent of this investment prompted the Treasury to argue, successfully, that wider national objectives should be secured in return.

First and understandably, the Treasury sought to reduce the railways financial dependency on the taxpayer, by elimination or substantial reduction in the railway's financial deficits. Second, it sought greater use of diesel and electric traction, in order to reduce coal consumption and so help to overcome the continuing national energy shortages and pressure on the coal industry. Third, was concern about employment policy, and that the railways

[28] *Reorganisation of the Railways*, BTC, April 1954.

investment programmes should provide a reserve of economically acceptable works to protect against future unemployment.[29]

Pollution was a further element in the government's support for major investment in the railways. Smoke pollution had long been a problem: it was widespread in most industrial areas, and its impact was emphasised by its contribution to incidents of London smog. The worst was from 5 to 9 December 1952, when an estimated 4,000 people died and cattle were reported as being asphyxiated at Smithfield Market.[30] As the health risks became better understood and as public criticism grew, there was concern about the smoke and soot emitted from over 19,000 steam engines, especially near locomotive depots and main-line stations which were often located in urban areas. The November 1954 Report of the Beaver Committee on Air Pollution estimated that the railways were responsible for a seventh of all smoke discharged into Britain's atmosphere. It recommended that diesel locomotives replace steam and this changeover should be 'accelerated on the widest possible scale'.[31] Unsurprisingly, pressure on the railways then became serious; indeed after the passage of the Clean Air Acts from 1956, a number of local authorities took legal action against the railways.

This was the context in which the BTC prepared its comprehensive plan for development of the transport infrastructure, with the Chief of General Services (and former Quartermaster General), General Sir Daril Watson, being instructed in May 1954 to assemble a planning committee.

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[29] Treasury to MOT, R29/1/06, Railways 'A' Division, 1 July 1954, MT124/46.
[30] The Meteorological Office website, www.metoffice.gov.uk
[31] [Beaver] *Committee on Air Pollution, Report* (*Parliamentary Papers* 1953-4, Cmd. 9322, viii, 663), para. 58-60. The estimate was somewhat crudely based on the fact that the railways burned the same proportion of total national coal consumption.

The Modernisation Plan was to be based on the assumptions that it should be spread over a period of years, be capable of being launched in five years, and completed in fifteen. Initially it was intended that the Plan would be funded by a government loan at a low rate of interest.[32]

In November 1954 the Plan was further developed when the BTC appointed three of its number – Pope, Ryan and Valentine – to assist Watson in drafting the chapters, particularly those dealing with the forecasts of traffic and the scope of economies. [33] Gourvish considers that the deliberations of this group 'seem to have been hasty, if not to say slap-dash. It removed nearly all the forecasting figures which had appeared in the Planning Committee's report and merely inserted a new estimate that gross freight revenue would rise by about one-sixteenth over a 15-20 year period'.[34] These aspects of the Plan did indeed prove to be weak in conception and analysis, but this is hardly surprising given that such complex chapters were completed and submitted to the Commission in less than a month. Bonavia considered it 'no more than the lumping together of a large number of projects, which on first examination appear desirable', and Gourvish accepts that 'plan' was a misnomer and that 'Modernisation Policy' would have been a more apt description of what was put together'.[35] On 16 December 1954, the Commission made some amendments and approved the Plan for despatch by Robertson to the Minister of Transport, John Boyd-Carpenter.[36]

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[32] BTC minute 7/200, 14 May 1954, AN85/7.
[33] BTC minute 7/583, 18 November 1954, AN87/7.
[34] Gourvish, *British Railways*, p. 266.
[35] Gourvish citing Bonavia, *British Railways,* p. 265.
[36] Boyd-Carpenter replaced Lennox-Boyd on 28 July 1954.

Boyd-Carpenter's initial response was to consider whether, before he permitted the BTC to publish the Plan, there should be a more wide-ranging inquiry into the affairs of British Railways. His concerns centred on how the BTC would improve the deployment of manpower and reduce the labour force to control the ever-increasing wage costs, an issue which received scant attention in the Plan. Concern was also expressed in the Cabinet. According to Gourvish, 'at its inception [the Plan] received the warm support of the Conservative Government'.[37] Yet the Cabinet minutes show that ministers were cautious even in giving general approval, because they considered the long-term future of the railways doubtful given the development of road and air transport. Again, particular concern related to labour costs after the recent Court of Inquiry into the railway wages dispute, and the related question of man-power efficiency of the railways. The Cabinet considered whether to initiate an independent inquiry into the use of manpower on the railways, based on Lennox-Boyd's proposals for an investigation which he had already made to the Cabinet Economic Policy Committee.[38] A decision on this was deferred on the basis that labour efficiency in the short term was the concern of the BTC, and anyway should be considered separately from the manpower implications of the Modernisation Plan.[39] Even so, it is clear that the Cabinet recognised the importance of labour costs and efficiency as a key to modernisation and financial management.

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[37] Gourvish, *British Railways*, p. 256.

[38] Lennox-Boyd proposed a committee comprising: a production engineer, a railwayman, a charted accountant, and a trade unionist, preferably one associated with the British Productivity Council to investigate the use of manpower on the railways. Lennox-Boyd to Cabinet Economic Policy Committee, 14 January 1955, MT124/46.

[39] Cabinet Conclusions, C.C. (55) 5, 20 January 1955, MT124/46.

After considerable debate, the Cabinet agreed that the BTC could publish the Modernisation Plan, with the proviso that Lennox-Boyd should discuss with Robertson the question of an inquiry into the use and deployment of the labour force, agree the form it should take, and how it would be initiated and announced.[40] Yet little progress was made on the labour inquiry, because Robertson was insistent that substantial labour savings would become apparent very quickly. His rationale was based on the expectation that the introduction of scientific application to work-study, the greater use of mechanical and electronic equipment and modern office methods would lead to an improvement in net revenue of £5m a year. Robertson also wrongly predicted that any issue of staff reduction could be achieved by normal wastage, although he agreed to full consultation with the unions on the issues of redundancy.

The Modernisation and Re-equipment of British Railways, published on 25 January 1955, declared that its primary objective was 'to produce a thoroughly modern system, able to fully meet both current traffic requirements and those for the foreseeable future'.[41] A central element of this strategy was to remodel passenger services in order to provide fast, clean, regular, and frequent services, using electric or diesel traction in all the great urban areas. Inter-city and main-line trains were also to be accelerated and punctuality improved, and services on other routes either made more economic or transferred to road. However, unlike the earlier RE-produced document, the Modernisation Plan contained some highly optimistic conclusions, including a statement that 'marked improvements in

[40] Cabinet Economic Policy Committee, January 1955, MT124/46.
[41] *The Modernisation and Re-equipment of British Railways*, p. 5.

the quality of passenger services offered to the public' would lead to an improvement in working results for passenger services of £35m a year.[42] A complete re-orientation of freight services was also planned, with modern technical developments equipping the railways to exploit its advantages as bulk carriers, to speed up movement, reduce costs and provide direct transits for main streams of traffic. It was anticipated that these improvements would attract a proportion of full-load merchandise traffic that would otherwise use road transport.[43] This predicted revolution in freight services would be achieved through using fewer wagons with higher capacity and faster turn-round, to generate improvements in the order of £60m a year.[44] Overall the Plan anticipated an increase of working expenses by £10m a year, but predicted that the improvement in the BTC's financial position would be 'of the order of £85m a year'.[45]

Yet the impact of these far-reaching changes was not fully calculated. The Plan contains no appraisal of costs of implementation, or any use of cost-benefit analysis to quantify the benefits from a total investment of £1240m.[46] Pollins described it as 'little more than a draft',[47] and Bagwell, while conceding that it was a constructive, if long overdue, reform, considered that it was probably accepted by the Ministry of Transport and the government on the basis that 'anything was better than nothing'.[48] In contrast, Gourvish implies that at least some of the responsibility for the Plan's shortcomings lay less with the management than with government.

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[42] Ibid., p. 33.
[43] Ibid., p. 7.
[44] Ibid., p. 34.
[45] Ibid., p. 35.
[46] Ibid., p. 7.
[47] Harold Pollins, *Britain's Railways an Industrial History* (Newton Abbot, 1971), p. 191.
[48] Bagwell, *The Railwaymen*, p. 641.

The 'acceptance of the Plan owed much to the fact that the Treasury was still feeling its way with all the nationalised industries', and 'in the absence of clear guidelines [on the vetting of expenditure and its profitability], it is not surprising that the Treasury should have decided to handle the Commission gently'.[49]

No attempt was made to assess the impact of expanding road transport, which continued to take an increasing share of freight traffic. Indeed, road improvements were set to generate even more competition for the railways in the future. Demands for road building and development were increasingly articulated by the rapidly-developing motoring organisations, which represented both the private motorist and commercial vehicle operator. Their opinion was of an inadequate road system, particularly in comparison with American freeways, German autobahns and Italian autostradas. This weight of public opinion was such that as early as 1950 Barnes, the Labour Minister of Transport, had seriously considered motorway building.[50] Eventually the decision to build motorways was announced in February 1955, within weeks of publication of the Modernisation Plan. Yet there is no evidence that either the MOT or British Railways investigated the implications of these two different types of major capital-intensive schemes upon each other, for example the electrification of the London-Midland main-line and the construction of the M1 motorway.

The financial position of the railways and the likely implications of the Modernisation Plan upon it were such considerable issues that in March 1955 Boyd-Carpenter raised with the Cabinet the possibility of altering the

[49] Gourvish, *British Railways*, p. 272.
[50] Boyd-Carpenter, *Way of Life*, p. 110.

financial parameters under which the BTC operated, justifying change on the basis of the national interest. The stimulus for this was that costs – including maintenance and central charges – had increased by £52·5m since the start of 1954, and the Commission estimated that it was adding to its deficit at the rate of £1m per week.[51] However, the Attorney-General[52] advised that the Minister himself did not have the power to alter the financial arrangements still required under the terms of the 1947 Transport Act. These required the BTC to conduct its undertakings so as to secure an income that was sufficient to meet expenditure taking one year with another.[53]

The appointment of Harold Watkinson as Minister of Transport in December 1955 appeared to herald a new approach, when he 'welcomed the chance of introducing a more realistic and vigorous climate into my section'.[54] His tenure at the MOT did lead to re-thinking on the BTC's finances which ultimately led to the publication of a White Paper, *Proposals for the Railways,* in October 1956 and the subsequent Transport (Railway Finances) Act 1957. Incorporated into the White Paper was the Commission's strategy including pricing, productivity and the elimination of unprofitable services; and a key section was devoted to modernisation.[55] Despite its previous misgivings about the future of the railways, the government expressed public support for this perspective:

Although forecasts indicate substantial deficits for some years, the Commission have, in the Government's view, presented a convincing case showing that, by measures such as the acceleration of the schedule for modernisation and rationalisation of the railways, the use of greater freedom in charging policy and the

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[51] Cabinet conclusions, 16 March 1955, PREM11/1049.
[52] Sir R. Manningham-Buller.
[53] Memo from Attorney-General 22 March 1955, PREM11/1049.
[54] Watkinson to PM, 17 February 1956, PREM11/663.
[55] Gourvish, *British Railways*, p. 294.

steady development of greater productivity, they should be able to overcome their present financial difficulties reaching a state of current balance by 1961 or 1962 and eventually a position of considerable strength. It is clear that the Commission have spared no effort to lay before the nation as full and detailed an explanation of the position, proposals and assessment of the future as is possible.[56]

Gourvish is critical of these remarks (attributed to Watkinson): 'they did not of course, fool any of the more knowledgeable critics. This revised justification of the Modernisation Plan was little more than a dressing-up of the hurried calculation made earlier'.[57] Bagwell is also critical of the implications of the White Paper, describing it as 'a millstone round the neck of the Transport Commission which put severe limits on its ability to pay adequate wages to its staff'.[58] Yet in reality the measure led to greater financial support for the railways, as the Minister was allowed to advance sums equivalent to railway deficits in 1956-62, up to a maximum of £250m, and to cover interest on these advances for a period of five years after the year of borrowing.[59]

The 1956 White Paper and the 1957 Transport Act not only recognised the need for greater financial support for the BTC; according to Gourvish they were 'used to justify an acceleration of the Plan and ... should not have convinced anyone that the Commission would achieve a net revenue surplus in 1970 let alone in 1961 or 1962'.[60] Even so Robertson remained optimistic about the effect of these changes, and stressed to Watkinson that 'we are turning over a fresh financial page, that the effect of

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[56] *Proposals for the Railways*, Cmd. 9880 (1956), p. 3.
[57] Gourvish, *British Railways*, p. 294.
[58] Bagwell, *The Railwaymen*, p. 644.
[59] Gourvish, *British Railways*, p. 176.
[60] Ibid., p. 296.

legacies from the past is being segregated in our accounts'.[61] Nevertheless, despite this optimism and the increased financial support, the financial position of the railways continued not simply to deteriorate, but increasingly so, as can be seen from Table 1. Eventually, as Loft states, 'the railway's financial problems dwarfed those of the other nationalised industries in the late 1950s'. [62]

TABLE 1: TRUE FINANCIAL RESULTS FOR BRITISH RAILWAYS 1952-62 (Excluding drawings on abnormal maintenance funds 1948-53 and maintenance equalisation account 1954-62).

Year	Revised deficit (constant 1948 prices) £m
1952	-16·6
1953	-18·6
1954	-16·1
1955	-29·5
1956	-40·9
1957	-52·5
1958	-67·3
1959	-64·9
1960	-84·5
1961	-96·1
1962	-105·6

Source: Gourvish, *British Railways*, Appendix A, page 587.

The Modernisation Plan also raised the continuing and contentious issue of the boundaries of ministerial authority. This revolved around the MOT's concern over the BTC's lack of investment appraisal, which led Boyd-Carpenter to insist that Robertson kept him informed of the progress of the Plan by means of a constant interchange of views. It was also stressed that while the Government had given its blessing to the general lines of the Plan,

[61] Robertson to Watkinson, 31 August 1956, MT132/32.
[62] Loft, 'Government and the railway problem', p. 75.

it must be consulted on the exact nature and timing of major items.[63] Robertson was prepared to accede to the extent of keeping the Minister fully informed and producing 'reasonable assessments of the character, cost and incidence of our projects'. However, he insisted that responsibility and initiative for the Plan must rest with the Commission.[64] This view was eventually accepted within the MOT; indeed under the terms of the relevant legislation it had no other option. But the episode signified the beginning of strained relations with the BTC, and created unease among senior officials. They had earlier identified anxiety on the part of members of the Commission (particularly Wilson), who wanted to avoid detailed ministerial control of the Plan.[65] It also had later repercussions, when the MOT stood accused of lack of response to the continuing financial problems of railway investment, an approach described by Gourvish as 'notably feeble.' [66]

These financial problems also resonated in the Cabinet, where it was accepted that the increasing financial burden of the railways would make it difficult to resist growing political pressure for increased parliamentary control over the nationalised industries. One solution – further time for debates and questions – was considered, but the appointment of a standing committee was considered as likely to be more effective.[67] As will be seen later this process was adopted with significant consequences.

Notwithstanding these MOT doubts, the BTC expressed confidence in its plans for the future in its 1955 Annual Report:

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[63] Boyd-Carpenter to Robertson, 6 July 1955, MT124/46.
[64] Robertson to Boyd-Carpenter, 18 July 1955, MT124/46.
[65] Wild (MOT), 31 March 1955, MT124/46.
[66] Gourvish, *British Railways*, p. 293.
[67] Cabinet minutes, 8 May 1956, PREM11/3440.

Thanks to the easing of former restrictions on expenditure and with approval given for the Modernisation Plan, capital development in the Commission's undertakings gathered momentum in 1955.[68]

In addition, belief in the Plan's effectiveness continued to grow throughout 1956: at the end of the year the BTC reported that the Plan had 'accelerated, was gathering momentum and its financial expectations were beginning to improve'. It further predicted that the railways did not require a subsidy, would emerge from their financial difficulties to be in balance by 1962, and would generate a surplus of £50m in 1970.[69]

Despite such bold expectations, the Plan contained little recognition of labour issues – including a need to reduce costs and improve productivity. The BTC believed that introduction of technically-advanced equipment would automatically generate increased productivity, and that the main labour issue would be recruitment of technically-qualified staff, of whom a substantial increase was required.[70] Perhaps because of this, the railway unions greeted the Plan positively, even if with a degree of scepticism as to its future prospects. The NUR Annual General Meeting on 6 July 1955 unanimously passed a resolution welcoming the proposals, but warned that the response of railwaymen would be 'conditioned by the attitude of management in the matters of adequate safeguards and reasonable incentives'.[71] For the NUR the issues of job security and achievement of the 40-hour week were higher priorities than implementation of the Plan. Even so, it was not until 1962 that a reduction in the working week from 44 to 42 hours was achieved.

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[68] *BTC Annual Report and Accounts 1955*, para. 74, p. 25.
[69] BTC Press Office: *Re-assessment of BTC Finances*, 2 December 1956.
[70] *The Modernisation and Re-equipment of British Railways*, p. 28.
[71] Bagwell, *The Railwaymen*, p. 641.

Public opinion also appeared sceptical. This was exemplified by a letter to *The Times* responding to a report that implementation of the Modernisation Plan had led to such improvements in passenger services that the 'Talisman Express' could now travel from London to Edinburgh in 6 hours 40 minutes. A knowledgeable commentator pointed out that in 1895 the same journey, with stops at Grantham, York and Newcastle to change locomotives, had taken 6 hours 19 minutes.[72] Furthermore, despite the BTC claim of progress and improvements, slow travel and poor punctuality remained unresolved problems, as they had been since nationalisation. The public's tendency to use alternatives to the railways was exacerbated by frequent cancellations of train services, resulting in harmful criticism in the media. However, when the BTC discussed this problem in February 1956, all it seemed able to offer was to introduce an annual award for the region which showed the best timekeeping, and once again to exhort General Managers to tighten discipline of the front-line workforce. [73] This made very little difference. Several episodes generated particularly adverse publicity. There was the debacle over the Glasgow suburban electrification scheme, when a transformer in one of the new trains blew up and seriously injured passengers. As a result all the new trains (72 four-carriage sets[74]) were withdrawn for rectification and replacement by an all-steam hauled service between 18 December 1960 and 1 October 1961.[75] Still more embarrassing was the breakdown on 11 January 1961 of a new diesel locomotive which was hauling a train carrying the Queen from Liverpool Street to

[72] Mr. Turner letter, *Times*, 26 September 1956, p. 11.
[73] BTC minute 9/80, 16 February 1956, AN85/9.
[74] 'Electric blues', *British Railways Illustrated* 12 (2003), pp. 250-3.
[75] BTC minute 14/20,19 January 1961, AN85/16.

Sandringham.[76] Slow progress was also evident in other aspects of railway operation. Remarkably, horses continued to be used for shunting duties as late as 1967,[77] while Shipley and many other stations retained gas lighting until 1974.[78] In other words, examples of old practices remained until well after the Beeching era. Yet detailed examination of BTC minutes reveals few references to the quality of services for passengers, and how these might be improved. A notable exception was the debate on prices charged in restaurant cars for *table d'hôte* luncheons and dinners, an issue hardly likely to be of significance to the majority of potential railway users.[79] So despite the expenditure under the Modernisation Plan, many of the public perceived the railways as unreliable, inefficient and anachronistic, with an inevitable further decline in both passenger and freight traffic.

III

Fundamental to the success of the Modernisation Plan was the need to ensure proper returns in terms of productivity and efficiency for the new investment made in the railways. This was considerable: the Commission's investment over the years 1954-62 averaged £120·6m, with a peak of over £167m in 1959, and a total of over £1085m.[80] However, the effectiveness of many elements of this large-scale investment was questionable: as Gourvish concludes, 'it is not sufficient to blame the government for the adverse

[76] BTC minute 14/8, 19 January 1961, AN85/16.
[77] Bryan Holden, 'Dobbins yard, Halifax - a tribute to the railway horses', *Railway World*, 48 (1987), p. 338.
[78] Peter Kay, 'A Station survey: Shipley 1846-1992', *British Railways Illustrated*, 3 (1993), pp. 87-97.
[79] BTC minute 14/338, 28 September 1961, AN85/18.
[80] Gourvish, *British Railways*, p. 274.

effects of modernisation spending from 1956. The Commission itself must be criticised for failing to control the investment programme properly'.[81]

One of the areas where criticism can justifiably be made is traction policy. This was the single most important element of the large-scale investment, and the BTC considered it fundamental to the creation of a more efficient, cost-effective, and cleaner railway, and for the improved quality of service required by the industry and travelling public.[82] It was also an issue on which the Commission had been constantly questioned by the MOT, particularly in relation to the comparative costs of steam and diesel units.[83] Although the BTC eventually accepted that only through widespread conversion to electric and diesel power could proper modernisation be achieved, as we have seen that decision came late when compared with other European railways, and even when taken, the pace and quality of implementation was questionable. Cost constraints allowed electrification only on selected, high-density routes. Additionally, the BTC remained cautious in its winding down of steam-locomotive building. Included in the Modernisation Plan was the target to cease construction of new steam passenger locomotives after completion of the 1956 building programme, with all other construction ceasing as soon as possible. The first decision was hardly revolutionary, because the railways had an adequate stock of express passenger locomotives, while cancellation of the order for fifteen Class 6 standard types [84] was sensible in view of their disappointing performance. Yet even so the BTC continued to sanction expenditure on

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[81] Ibid., p. 286.
[82] *The Modernisation and Re-equipment of British Railways, p.* 11.
[83] MOT to BTC, 30 June 1954, MT124/46.
[84] BTC minute 8/250, 26 May 1955, AN85/8.

steam locomotives: the railway workshops constructed 174 steam locomotives in 1955, 138 in 1956 and 144 in 1957, with the final ones produced at Swindon in 1960 – at a time when large-scale withdrawal of steam traction had already begun.

From nationalisation, motive power policy was characterised by the lack of direction from the BTC. Initially this led to policies which perpetuated outdated steam technology, through the introduction of a new range of standard steam locomotives and resulted in a waste of resources. Moreover, despite references in the Modernisation Plan to dieselisation in the USA and electrification in Europe, little account was taken of experience and practice there.[85] In particular, it soon became clear that the BTC did not draw on the American operating experience. Nor does it appear that advice was sought from the one British manufacturer with substantial experience in construction of technically advanced forms of traction – Brush Bagnall. This company had produced diesel locomotives for export since 1950, an impressive achievement given the dominance of steam traction on Britain's own railways at that time. The benefits of such experience with advanced traction became apparent later, when the company's products were considered to be amongst the most successful diesels used by British Railways. Brush locomotives experienced a long life (some remain in service in 2008).[86]

Gourvish estimates that in the period 1954-62 nearly 3,500 diesel locomotives, 4,000 diesel multiple units, and 3,800 electrical multiple units were put into service. Yet in the same period, 744 steam locomotives were

[85] *Modernisation and Re-equipment of British Railways*, p. 11.
[86] 'Diesel Dawn, A Brush with fate', *British Railways Illustrated,* 4 (1996), p. 147.

acquired and despite an anticipated useful life of 40 years all were scrapped prematurely. [87] The rush to modernise plainly led to a lack of effective planning in traction policy, and a substantial and continued waste of investment resources. Gourvish outlines two major elements of this: 'an unnecessary variety of locomotive types and a commitment to relatively large orders without the testing in service of a prototype'.[88] And there were others: too many new locomotives were underpowered and less powerful than the steam engines they replaced, while the implementation of proper maintenance facilities and effective training was often inadequate.

Evidence to support this verdict of poor strategic managerial control and ineffective planning by the BTC can be seen from Table 2, which lists the initial orders placed in late 1955 for diesel locomotives by type and manufacturer.

TABLE 2: DIESEL LOCOMOTIVES ORDERED BY THE BTC 1955

Manufacturer	Horsepower	Number ordered	Region
English Electric	2000	10	E
N. British Loco. Co	2000	5	W
English Electric	1100	10	E
Birmingham RCW	1160	20	E
Brush Bagnall	1250	20	E
N. British Loco. Co	1000	16	W and E
Metropolitan Vickers	1200	20	LM
English Electric	1000	20	LM
Thompson Houston	800	10	LM
N. British Loco. Co	800	10	E
Total Types	10	141	

Source: *Railway Gazette,* 25 November 1955 (based on information from the BTC Press Office, 22 November 1955).

[87] Gourvish, *British Railways*, p. 275.
[88] Ibid., p. 275.

Although these orders were designed as a pilot scheme, they nevertheless represented significant expenditure, as 141 main-line locomotives were ordered. As many as ten different types were ordered, from six different manufacturers. Even this total number grew, first to 174 and then more were added.[89] In the event further substantial orders were placed without proper evaluation and experience of these new types of locomotives. As will be shown later, this had serious repercussions. This pattern of purchasing different types from numerous manufacturers was contrary not just to overseas experience with diesels, but even to the BTC's own experience in introducing the standard designs of steam locomotives. Furthermore, the full impact of these purchases had not been fully investigated in terms of provision of spares, technical training for maintenance purposes, and driver instruction. These were to prove expensive omissions. From 1957 to 1962, a total of 1,668 main-line diesel locomotives were acquired, and as the railway workshops were unable to convert quickly and easily to constructing the new form of traction, 74% of these units were brought in from outside contractors.[90] The result was that the railway workforce expected to maintain the new units were unfamiliar with their design and construction.

More particular cases can be produced. As part of the process of dieselisation, the Eastern Region planned to dispose of 240 steam locomotives and replace them with 160 diesels, a saving estimated at £250,000 pa.[91] However, the rush to introduce the diesels without adequate evaluation and testing soon resulted in substantial and expensive operational problems. A further complication was the Western Region

[89] Bonavia, *British Rail – the First 25 Years*, p. 107.
[90] Gourvish, *British Railways*, p. 276.
[91] *BTC Annual Report and Accounts 1956*, p. 135.

management's decision to diversify further and introduce diesel-hydraulic traction. The rationale for this move, so out of line with the rest of British Railways, was articulated by R. F. Hanks, Chairman of the Western Region Board, in a somewhat contradictory statement:

> It is no reflection on British industry that the Western Region should favour a design evolved on the continent. Indeed working for the Commission and British Railways, they would be failing in their duty if they did not explore fresh avenues of design in a determination to get the very best. Obviously they could not yet claim that this type of locomotive was the best, but it had done very well in Germany and they were confident that mileages between stoppages would make our faithful old friend the steam engine look silly by comparison.[92]

The BTC was persuaded to sanction the Western Region's purchase of three sets of diesel engines and transmissions from the Maybach Company in Germany, with the locomotives to be constructed at Swindon Works as part of the 1957 building programme – but only on the clear proviso that the work was of an experimental nature, and carried no commitment for the future.[93] Yet this decision was soon overturned, as the Western Region insisted that it be allowed to proceed with its own programme. Not only was the Western Region allowed to introduce a range of non-standard locomotives; these then proved to be under-powered, to suffer severe problems of reliability, and to be highly expensive to maintain. Introduced from 1959, they proved so unreliable that all were withdrawn from service by 1967, a year before steam traction ended on British Railways.

To compound the problems, the BTC itself in 1960 authorised the construction of an additional 50 different Type 3 diesel-hydraulics.[94] This

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[92] *Railway Gazette*, 18 July 1958.
[93] BTC minute 8/250, 26 May 1955, AN85/8.
[94] BTC minute 13/110, 17 March 1960, AN85/15.

was now in contradiction of BTC's own policy, because in order to resolve unsatisfactory time-keeping and avoid excessive maintenance and stocks of spares, Robertson had in the previous November issued an instruction for a programme of standardisation, by means of premature condemnation of diesel locomotive types where performance was unsatisfactory and unlikely to improve.[95] Nearly a year later, after it was discovered that many of the new diesel locomotives would have to be expensively re-engined, Robertson had to issue an almost identical statement.[96] Once again the BTC had failed to offer adequate strategic management in the pursuit of traction standardisation.

There was the general problem of many new locomotives being under-powered for their anticipated roles. This also contradicted the Commission's purchasing policy, because in order to fulfil the requirements of the Modernisation Plan, the BTC had argued for more powerful locomotives: units of 3,000hp for passenger traffic were required pending electrification, and the possibility of obtaining that type was to be urgently pursued.[97] Yet in December 1959 H. P. Barker, a part-time member of the BTC expressed concern that 'a large fleet of diesel locomotives was being built which would not be capable of hauling trains of the weight and high speeds laid down in the Modernisation Plan'. Despite this warning, over the next three years the BTC agreed expenditure of £37m for the provision of under-powered diesel hydraulics in the 1961 and 1962 building programmes.[98] This meant that until 1961 all the diesels delivered for BR

[95] Robertson to BTC, minute 12/479, 26 November 1959, AN85/14.
[96] BTC minute 13/363, 22 September 1960, AN85/15.
[97] BTC minute 9/384, Traction Policy for BR, 26 July 1956, AN85/9.
[98] BTC minute 12/510, 17 December 1959, AN85/14.

passenger services were less powerful than the steam engines that they replaced, some significantly so. Moreover, soon after introduction many of the new diesels suffered constant breakdowns, which resulted in their rosters being frequently and successfully undertaken by steam locomotives. That such successful substitutions were made is indicative: it provides clear evidence that even before the introduction of diesel locomotives, existing motive power could have been used in restructuring strategies to deliver improved services.

Ultimate responsibility for the Western Region's waste of resources lies with the BTC. A strategic policy for traction should have aimed to achieve standardisation in the procurement of locomotives of appropriate and tested efficiency, yet this was postponed for a decade. The effect was a costly and wasteful use of the public funds allocated to the Modernisation Plan. To compound this costly error, as Gourvish points out, 'the evidence suggests that the Commission surrendered the [commercial] advantage too readily, allowing manufacturers to pass on additional production costs and to insist upon long-term contracts, with heavy penalty clauses'.[99] An example is the BTC's dealings with the North British Locomotive Company (NBL), which unilaterally raised its tender prices for 52 main-line diesels by 20% on the basis of general price increases.[100] The NBL was failing to meet its delivery dates, and the design and quality of the locomotives was so poor that they experienced constant failures, and required costly rectification. Despite this, surprisingly, the BTC accepted the price increases and decided to take no action against the NBL believing that it would cause the company to fail, lead

[99] Gourvish, *British Railways*, p. 288.
[100] Price of main-line diesels, November 1957, AN6/56.

to unfavourable publicity, and offer little financial gain.[101] The decision to buy from the NBL seems to have owed something, at least, to the fact that it satisfied the government's concern to assist the areas of high unemployment.[102] As the majority of locomotive manufacturers were located in the north of England and Scotland, support for these producers accorded well with regional development policy.

Gourvish confirms the view that government 'took an interest in certain aspects of the Commission's purchasing policy, and at times exerted informal pressure to influence the placing of orders', notably in encouraging the purchase of diesel locomotives from private British contractors.[103] There is certainly evidence of strong lobbying from the British Electrical and Allied Manufacturers' Association, which held the view that BR workshops should concentrate on regular servicing and essential maintenance, and leave construction of new locomotives as the preserve of the manufacturers. This was argued on the grounds that new diesel traction was of increased technical complexity, and that the advantage lay with the wide resources and experiences of the locomotive building industry rather than with the railway workshops. [104] In addition, lobbying by the Locomotive Manufacturers' Association was based on their argument that 'a larger and steadier home market would assist the industry's export performance'.[105] This view was considered favourably by the Minister of Transport and was passed on to the Commission. The BTC had long worked with private locomotive building

[101] BTC minutes: 14/316, 27 July 1961, 14/329, 28 September 1961, AN85/16.
[102] Gourvish *British Railways* p. 286.
[103] Gourvish, *British Railways*, p. 285.
[104] British Electrical and Allied Manufacturers' Association, memo to SAG, 29 July 1960, AN13/2739.
[105] Gourvish, *British Railways*, p. 285.

firms, fully appreciated the difficulties they faced, and according to Boyd-Carpenter were not unsympathetic to them.[106] This is understandable in the light of the need for the large-scale procurement of new equipment envisaged in the Modernisation Plan. Yet whatever the degree of external influence, the BTC remained determined to pursue what it considered to be a sound commercial strategy through the use of its own workshops wherever possible. However, it was also fully aware of the need to purchase externally in order to maintain progress with the delivery of diesel traction and, perhaps more importantly, to maintain continual advances in technical expertise.[107] But the process of motive power procurement was plainly highly questionable, and as Gourvish concluded 'there is little doubt that had the initial policy of a three year trial period been followed many of these expensive mistakes could have been avoided'. [108]

A further problem with the rapid purchase of numerous types of diesels related to training for their maintenance and use in service. Effective use of the new equipment required proper training of footplate staff and maintenance staff, something which proved difficult to achieve. Moreover, even the limited experience gained from running the experimental units introduced by the SR and the LMS was ignored when full-scale dieselisation was implemented. It was found that almost all serious problems were the result of ineffective maintenance, with one major exception, the steam heating boiler.[109] The majority of maintenance issues were eventually resolved through more effective training and by the accumulation of

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[106] Boyd-Carpenter to Peter Thorneycroft MP, 17 January 1955, MT 124/46.
[107] BTC minute - Works Equipment Committee, 5 December 1955, AN6/56.
[108] Gourvish, *British Railways,* p. 288.
[109] Minutes, BTC and RE, 30 October 1952, AN13/1098.

experience by the former steam-locomotive technicians; but the steam-heating problem was not given the necessary attention. Riddles had identified the lack of success in remedying this weakness as early as 1952,[110] yet despite this warning the problem remained unresolved. As a result, problems continued to be experienced for another ten years or so, and in the severe winter of 1962-63 numerous diesels failed in traffic owing to defective train-heating boilers. That debacle resulted in another significant loss of business, because it further reinforced the view in the minds of the travelling public and business user of an outdated and ineffective railway. In all, the proliferation of diesel types from a variety of different manufacturers meant that it took a decade before the railways could properly maintain its diesel fleet.[111] This also had significant financial repercussions. The BTC had built its initial financial projections that the average cost of a main-line diesel at £80,000 would be reduced to less than £50,000 based on the economies expected from long production runs. But these did not materialise until much later.[112] Bonavia concluded that 'the BTC seemed unable to shape any firm diesel policy'.[113]

Bonavia also accepts that 'the Modernisation Plan ran into deep water on the freight side'.[114] Gourvish confirms this view: 'large sums of money were committed to freight modernisation without a clear statement of future policy'.[115] Problems were encountered in strategies for the replacement of freight wagons, the introduction of power-braking systems, and for

[110] Riddles to RE, 23 January 1952, AN88/77.
[111] H. Rodgers, *Thompson and Peppercorn Locomotive Engineers* (London, 1979), p. 135.
[112] Beazley (MOT) to Gregory (Ministry of Fuel and Power), 20 February 1955, MT124/46.
[113] Bonavia, *British Rail the First 25 Years*, p. 107.
[114] Ibid., p. 107.
[115] Gourvish, *British Railways,* p. 289.

marshalling yards. The MOT found it alarming that it took so long to make fundamental decisions on important issues such as wagon braking.[116] To compound this, with contracts to supply wagon brake equipment, the Commission 'embarked on a spending programme before the technical and commercial implications had been fully investigated',[117] a move which was particularly expensive and wasteful. According to Bonavia 'the marshalling yards national plan fell into deep trouble, because of the decline in total tonnage, and the changes in the traffic flows which overtook the railways even while the new yards were under construction'.[118] Most of these proved to be too big and under-used becoming expensive 'white elephants' as the BTC failed to recognise the shift towards train-load movements and away from single wagonloads. A particularly bad case was the expensive and massive yard constructed at Carlisle: this was located well away from industrial centres and experienced very little use.

Despite greater expectations from the travelling public, even the progress in modernising passenger facilities was derisory. As Gourvish points out, 'when the BTC reported to the Select Committee of 1960 on the progress made by the end of 1959 it could point to only 14 modernised passenger stations and parcels depots, most of these being relatively small projects'.[119]

Rather too much of the new infrastructure continued to be designed with steam traction in mind. Had Riddles at the time of nationalisation opted to move towards dieselisation rather than continue with steam, many of the

[116] Bannister (MOT), 23 January 1956.
[117] Gourvish, *British Railways*, p. 291.
[118] Bonavia, *British Rail the First 25 Years*, p. 109.
[119] Gourvish, *British Railways*, p. 277.

problems could have been avoided. Even as late as 1963, when Sweden dispensed with steam traction after introducing 3,600hp diesel-electrics through a carefully planned and piloted implementation plan,[120] BR was still investing in expensive steam locomotive facilities. These included new turntables and water supplies installed in the latest marshalling yard at Healy Mills near Wakefield. Another example of misplaced investment is the construction in late 1961 of the last coaling plant built by BR, at Mexborough depot on the Eastern Region. This huge and expensive concrete monolith was only in use for a little over three years, as the depot closed in 1965.

Even without introducing more advanced traction, productivity might have been improved by better use of existing equipment. Yet as shown in Table 3, by the standards of other European railways BR performed poorly in the use of its rolling stock.

TABLE 3: INTERNATIONAL COMPARISON OF ROLLING STOCK USE 1957.

COUNTRY	PASSENGER	FREIGHT	WAGON TURNROUND
BRITAIN	100	100	100
FRANCE	220	414	69
W.GERMANY	178	457	42
BELGIUM	200	229	62
NETHERLANDS	450	400	47
SWITZERLAND	200	343	32
SPAIN	267	271	84

Passenger – passenger kilometres per carriage per annum.
Freight – ton-kilometres per wagon per annum.
Wagon turnround – average wagon turnround time in days.

Index constructed from UN Transport Statistics for Europe 1957.

[120] 'The end of steam on the Swedish State', *Modern Railways,* 16 (August, 1963), p. 100.

Throughout its existence, the BTC had argued that a major constraint on operations was a shortage of rolling stock, particularly wagons. Yet since nationalisation this stock had been replaced by at least 40,000 new units a year, but even that had not resulted in any greater operational efficiency. Although the Modernisation Plan had identified the need for improved wagon usage as a priority, this could and should have been implemented before 1955, but adherence to traditional operating strategies appeared to preclude this.

It was not only in traction policy and rolling-stock usage that the BTC compares badly with other national railways. The contrast with French experience is especially revealing. There, management adopted a very different style and had embraced detailed planning with greater efficiency as the objective. In 1962 the French National Railway System (SNCF) embarked on its fourth modernisation plan, to be achieved at least in part by the introduction of 100 more powerful new locomotives, of up to 4,000hp.[121] Had the BTC adopted a similar analytical and forward-thinking approach, its progress towards modernisation could have been much more rapid. It is also likely that the decline in its business would have been less severe.

IV

Only by substantially raising both labour and capital productivity could the changes specified in the Modernisation Plan deliver the benefits outlined by its authors. Yet the Plan makes only cursory reference to the complex labour issues which faced management in its plans for modernisation:

[121] 'A report on French railway modernisation', *Modern Railways,* 15 (May, 1962), p. 326.

The Commission will accordingly embark upon the recruitment of trainees to strengthen the traffic staff, and will at the same time train men already in service for the special work which will flow from the requirements of the plan.[122]

Given the extent of the workforce in the railway industry (573,499 workers, including 33,842 women, at the end of 1957),[123] and the introduction of new and complex equipment with a need for radically changed working conditions and practices, the Commission's comments on the requirements represents a distinct understatement. In addition, it failed to identify the difficulties and complexities of dealing with a workforce which was highly structured and almost totally unionised. Moreover, the attitudes of the trade union leadership and that of the workforce were conditioned by a history which meant that they were not always in total harmony. In particular, as Gourvish indicates, 'union leaders were often far in advance of their members in their preparedness to collaborate with management to effect higher productivity'.[124] While nationalisation had introduced some institutional and attitudinal changes, the paternalism of the Big Four railway companies had to a certain degree carried over to the BTC, assisting what were initially relatively peaceful industrial relations. However, from 1953 this began to change, as railway employees perceived that they were lagging behind other workers as: 'Conciliation grade'[125] wages were 90% of the manufacturing average in 1953, and fell to 88% in 1959.[126] The strength of this opinion can be judged from Bagwell's account of the NUR Executive Committee, a body he described as having a well-deserved reputation for

[122] Modernisation Plan, para. 113, p. 29.
[123] *Facts and figures about British Railways 1958*, p. 5.
[124] Gourvish, *British Railways*, p. 252.
[125] Wage grade traffic staff.
[126] Gourvish, *British Railways,* p. 217.

moderation and sense of responsibility. That it should reach unanimous decisions in favour of national rail strikes in December 1953, December 1954, and January 1960, and a majority decision in May 1958, is a measure of how serious the wage problem on the railways had become.[127] The further difficulty, the lack of co-operation between the three railway unions, added to and interacted with an environment of almost continuous wage bargaining and of government activity in major negotiations.[128]

As Gourvish has explained, the 'demise of the Railway Executive in 1953 and the expanded role of the Commission did not lead to any radical alteration to the pattern of labour relations in the railway industry', with the interaction between management and the unions described as the 'same long-running play'.[129] Nor did the development of the Modernisation Plan alter 'the disillusionment of the rank and file membership with the realities of nationalised management, which had not delivered the "new age" of job security and workers' control'.[130] This perspective was apparent from a 1955 statement by the General Secretary of the NUR, Jim Campbell:[131] 'what has to be done is to convince the staff that their interests are adequately protected and, indeed that the fulfilment of the [Modernisation] plan is to their advantage'.[132] In effect this meant that co-operation with management to implement the Plan was dependent upon there being no fear of redundancy or reduction in grade, or a worsening of conditions of service. [133]

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[127] Bagwell, *The Railwaymen*, p. 644.
[128] Gourvish, *British Railways*, p. 215.
[129] Ibid., p. 214.
[130] Ibid., p. 215.
[131] Campbell replaced Figgins in March 1953.
[132] Campbell, NUR AGM, 6 July 1955.
[133] Bagwell, *The Railwaymen*, p. 641.

In addition to these factors, as the BTC floundered in dealing with wages and productivity issues, the government became more active in labour issues. This led to greater regulation and more direct intervention, often in the wish to avoid costly national stoppages. These tactics to some extent contradicted the Conservative's ideological position, which Tomlinson described as neo-liberal in emphasising the need for competition in the labour markets as much as in that for products. But this was offset by another set of considerations: the Conservative ministers accepted that any attack on collective bargaining and the trades unions was also likely to be electorally damaging.[134]

While Conservative rhetoric against restrictive practices on the railway may have been restrained, these nonetheless remained a serious concern for the government, for two reasons. First, unless the wage settlements for well over half a million railway employees were controlled, they could contribute to cost-push inflation. Second, there was increasing scepticism about the BTC's ability to handle labour issues effectively, as Robertson had made only limited progress towards increasing productivity and was considered unduly sympathetic towards the unions. Consequently, although the government was committed to an economic policy centred on demand management, and on seeking, where politically feasible, to withdraw the state from direct intervention,[135] it felt obliged by circumstances to intervene more directly in the railways. And as Pollins concluded: 'as far as the nationalised industries were concerned, the government was inevitably

[134] Tomlinson, 'Liberty with order', p. 278.
[135] Green, *Ideologies of Conservatism*, p. 175.

involved in wage settlements. In the final analysis it would have to find the money'.[136]

Central to this question of labour costs was productivity, an issue which should have been at the forefront of BTC's management priorities, not simply for financial reasons, but in response to the railway industry's labour shortages. Although a major argument for nationalisation had been that it would secure greater operational efficiency, this was not supported by the evidence on labour productivity. When the RE in 1953 compared employment levels with those under the Big Four in 1938, some surprising conclusions were revealed. On the North Eastern Region it was discovered that total engine hours worked had declined by 2·1%, yet the numbers of working firemen had increased by 23%, engine coalmen by 26%, cleaners by 17%, and leading shed-men by 50·4%. For staff other than those engaged on motive-power duties, the results showed even greater increases: workshop numbers had increased by 28% and ticket collectors by 188%. In addition, since 1951 the average staff turnover in many departments was over 33%.[137] These figures indicated much scope for improving the financial position of the railways by means of a substantial shedding of labour. This continued into the 1960s. As Gourvish concluded, 'existing estimates of productivity in the period to 1962 do paint a somewhat cheerless picture'.[138] Aldcroft found that labour productivity measured in unit terms per worker increased by only 2% from 1955-62.[139]

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[136] Pollins, *Britain's Railways*, p. 201.
[137] RE Review of staff position, 29 August 1953, AN6/47.
[138] Gourvish, *British Railways*, p. 248.
[139] D. H. Aldcroft, *Britain's Railways in Transition*, p.162.

Evidence to support the view of considerable scope for increased productivity can be found in the BTC and NUR evidence presented to a special Court of Enquiry established to arbitrate on a wage dispute in January 1955:

> It is not denied by Mr. Allen or Mr. Campbell that there is room for further economies and further improvements in the provision of services, methods of charging, in re-equipment of the undertaking and in methods of operation; nor was it claimed that problems over staffing or of restrictive practices had been wholly or satisfactorily resolved. Indeed Mr. Campbell reported a lack of enthusiasm on the part of his members for co-operation to improve productivity as long as they regarded what were just claims, had not been met.[140]

The findings of the Court of Enquiry were accepted by the government, and a settlement reached by which the NUR agreed to participate in the British Railways Productivity Council (BRPC), created in July 1955. According to Gourvish this body was created 'largely to forestall government threats of a public inquiry into railway efficiency and the use of manpower'.[141] The BRPC was designed to allow the BTC to negotiate with the unions on the introduction of work-study, reduction in restrictive practices, and introduction by December 1957 of single-manning of diesel locomotives and railcars. For Gourvish this agreement 'decisively punctured traditional practices, although it was recognised that savings would be prospective rather than immediate'.[142] Yet it can be argued that the BTC was out-manoeuvred by the unions, because despite ostensible agreement on new working practices, little actually changed and increased productivity continued to be difficult to

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[140] *Final Report of the Court of Enquiry into a dispute between the BTC and the NUR* (*Parliamentary Papers* 1954-55, Cmd. 9372, v. 657), para. 74, p. 24, Allen represented the BTC and Campbell the NUR.
[141] Gourvish, *British Railways*, p. 251.
[142] Ibid., p. 251.

achieve. Even by January 1961, after the introduction of a large number of diesel locomotives, there was still relatively little progress in operational efficiency. Robertson was forced to admit that the implementation of single-manning was disappointingly slow, because most freight trains ran between hours not covered by union agreements.[143] Progress towards improved labour productivity was also slow in other areas. When attempting to reach agreement on the operation of fully-braked freight trains, W. P. Allen, the chief officer for labour relations, found negotiations with the unions prolonged and difficult.[144] Numerous practical issues seriously delayed implementation of this and other productivity agreements, with the result that by the end of 1957 less than 5% of the total railway staff were covered by work-study schemes.[145] As Gourvish himself accepts, progress in productivity was neither as swift nor as straightforward as it might have been, due to muddled management thinking and the imprecise definition of objectives, with some potential gains lost through a lack of vigour in evaluating the actual work.[146]

According to Bagwell the wages settlement of January 1955 had been secured through the unilateral action of the NUR after a rise of several shillings was awarded by the Railway Staff National Tribunal (RSNT).[147] However, ASLEF then demanded a greater rise which the BTC and the government resisted in order to avoid instituting a process of 'leap frogging

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[143] Robertson to BTC, minute 14/26, 25 January 1961, AN5/16.
[144] Allen to the BTC, 28 December 1957, AN13/2678.
[145] *Re-appraisal of the Plan for the Modernisation and Re-equipment of British Railways*, (*Parliamentary Papers* 1958-59, Cmnd. 813, xix, 777) p. 4.
[146] Gourvish, *British Railways*, p. 252.
[147] Bagwell, *The Railwaymen*, p. 650.

up an endless staircase' by the three railway unions.[148] The ASLEF demands were also put to the RSNT which found against the union and in favour of the BTC. As a result ASLEF informed the Commission that the findings of the tribunal were unacceptable, and called a strike of its members from midnight 1 May 1955.[149] The resulting strike was not supported by the two other railway unions, but it nevertheless had a profound impact upon the railways. Gourvish estimates that it cost an estimated £12m in lost revenue, and the combined pay awards of October 1954 to January 1956 added a further £45m to the railway's wage bill.[150] The long-term impact proved to be greater, even though the disruption caused during the seventeen-day strike had been much less severe than anticipated. According to Bonavia coal, iron and steel, electricity and London commuters were all affected, and a substantial proportion of the traffic diverted to the roads never returned to rail. In addition, the loss of public confidence resulted in a further decline in business which eventually meant 'employment on the railways was seriously affected'. [151] Patrick Spens, who worked on the railways during this period, summarised the impact of this and other industrial action: 'the truth is [the railway strikes] were ruinous and it gave the lorry firms a way into the heart of BR's freight traffic that otherwise might have taken them years to foster'.[152]

Against this problematic background, the question of proper and effective use of the public funds made available under the Modernisation Plan came increasingly to the fore. Within the MOT it was concluded that

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[148] Monckton (Minister of Labour 1951-5) quoted in Gourvish, *British Railways*, p. 230.
[149] BTC minute 8/182, 18 April 1955, AN85/8.
[150] Gourvish, *British Railways*, p. 231.
[151] Bonavia, *British Rail the First 25 Years*, p. 148.
[152] Patrick Spens, 'Backs a'gin the wall', *British Railways Illustrated,* 9 (2000), p. 365.

the BTC was able to increase productivity only very slowly, if at all, and had failed to manage labour costs. Government attention to labour and wage issues was amplified as constant demands for pay increases coincided with falling traffic levels and reduced revenue, and also because of wider economic concerns. The continued pressure for wage increases of railway workers was not just a response to inflationary pressure and desire to protect the standard of living, but a deliberate attempt to increase living standards. Such growing expectations generated wage pressure across all the nationalised industries; yet the achievement of these expectations was hindered both by their contribution to inflation and low rates of economic growth. Consequently, faster growth – also important to reduce balance of payments problems – and containment of inflation became higher priorities for government than maintenance of industrial peace.

Within the BTC itself, however, there were conflicting attitudes. As Gourvish comments, the Commission's policy was confused: it was 'torn between resisting union claims, in the face of its financial problems, and yielding to demands which a number of officers inside the organisation felt were fair and reasonable'.[153] The outcome was that wage negotiations tended to become protracted and difficult. In April 1958, owing to the difficult financial position of the BTC, Robertson felt unable to agree to increases sought by the unions and suggested to them that a direct approach to the government might be made to resolve the dispute. As a result a meeting was arranged with Macmillan on 22 April 1958, when he stressed that any

[153] Gourvish, *British Railway*, p. 231.

increases in wages would have to be justified by higher productivity.[154] This did not resolve the issue, but agreement was eventually reached on 15 May when the unions accepted a 3% interim pay increase on the understanding that an independent inquiry would make a full examination of wages and comparability with other industries. The Commission gave an undertaking to set this up and sensibly also pushed for cost-saving measures, including service cuts, and these were endorsed by the unions.[155] This process prompted Gourvish to claim that both the BTC and the unions were manipulated by Macmillan and Macleod.[156] He is critical of the government as 'being involved at all stages of the negotiations'.[157] But given the nature of the problem, the potential impact on public spending and an apparent lack of progress in productivity, the approach of the government was not surprising. It led to the establishment of a special committee of enquiry, under the leadership of C. W. Guillebaud, Emeritus Reader in Economics at Cambridge University, and had the remit:

> To conduct an investigation into the relativity of pay of salaried and conciliation staff of British Railways with the pay of staff in other nationalised industries public services and appropriate private undertakings, where reasonable and useful comparisons can be made.[158]

To the annoyance of the unions, the Committee was not set up until December 1958, some five months after the interim pay increase. It then took a further fifteen months of deliberations before it reported on 2 March 1960, when it recommended increases up to 18% where special skills and

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[154] Ibid., p. 235.
[155] See also Gourvish, *British Railways,* p. 235.
[156] Minister of Labour and National Service 1955-59.
[157] Gourvish, *British Railways*, p. 235.
[158] *Guillebaud Report,* Terms of reference, T311/24.

responsibilities merited additional payment. The government's response came on 10 March, when in the House of Commons, Macmillan publicly accepted the underlying objectives contained in the report: that a fair and reasonable wage should be paid to those engaged in the industry.[159] However, later, in private discussion with Ernest Marples, the new Minister of Transport, Macmillan concluded that implementation of the Guillebaud Report would necessitate an increase in fares and charges; but that these would not be enough to overcome the railway industry's problems and more radical action would be necessary.[160] It was clear by then that the increasing financial problems of the railways, its continued and costly wage settlements, and an apparent lack of progress in productivity precluded a continuation of the *status quo.*

Consequently, the Guillebaud Report and its costly implications was a watershed in stimulating government into re-thinking its policies towards all the nationalised industries, not just the railways. First, it was realised that the only way to reduce the financial burden on the taxpayer was to secure fundamental changes in the size of the railway network, the extent of the labour force, and the level of service offered. In order to manage this, the government accepted the need to persuade the public that the railways had to adapt to a size and pattern suited to modern conditions and prospects. Those working in the industry would also have to accept the need for change, not least to create the financial conditions necessary to ensure better conditions and pay. In addition, it was recognised that the Guillebaud Report had enunciated the principle of comparability, regardless of ability to

[159] Macmillan, *HCDeb,* 619, c. 643, 10 March 1960.
[160] Macmillan to Marples, 10 March 1960, PREM11/3147.

pay. This was not counterbalanced by links to productivity and staff reductions, although it did recommend a simplification of the wage structure by reducing the number of grades from 150 to 14. This simplification should have been pursued by the BTC much earlier, because at the very least it could have produced considerable administrative savings. Moreover, it further offered a potential strategy to simplify the complexity of labour relations on the railways, by reducing the opportunity for comparison between various grades.

The annual cost of implementation of the Guillebaud award was estimated at £29·5m, but other consequential increases added a further £10m. Little of this was likely to be recouped through greater efficiency, and it would add to a BTC deficit which now exceeded £90m.

After the Guillebaud Report was accepted by the government, Robertson was given detailed instructions by Marples to negotiate a settlement on the basis that the award should not be back-dated. Given the poor financial condition of the BTC, some in the MOT thought that Robertson should resign, but Marples concluded that this was not yet practicable given the extent of further negotiations that were required. However, he did accept that he should exercise oversight over Robertson through the next stages of negotiation, and agreed that he should be replaced once a new management scheme was put in place.[161]

The BTC Annual Report for 1960 emphasised the importance of the settlement:

[161] Marples to Macmillan, 16 February 1960, PREM 11/3147.

It is right to record that the Guillebaud Report and its acceptance by Government transformed the situation from one of near breakdown to one of greatly improved stability and morale. As against this all ranks throughout the Commission's undertakings, not only were BR, conscious of the fact that two major inquiries of political origin were taking place and their future employment and conditions might depend on the recommendations which might emerge.[162]

While the impact of the Guillebaud Report may have stabilised industrial relations for a time, it also exacerbated the BTC's already difficult financial position. The fact is that while a number of large-scale changes were being introduced through the Modernisation Plan, progress in productivity and labour efficiency remained slow and too often changes created as many problems as they solved. As Gourvish writes the Commission's aim was 'to drag a leviathan of an industry, with working practices based on Victorian precepts, into the mid-twentieth century. But its chosen methods did not necessarily guarantee success, and sometimes action merely created fresh problems'.[163] This was recognised in government circles, and had been instrumental in the appointment of Marples in October 1959. He introduced a more critical and analytical style to managing his department, and this had far-reaching repercussions for the railways.

V

It did not take long before there was disquiet about the ability of the BTC to implement the Modernisation Plan effectively and efficiently. Criticism in parliament,[164] and the media increased as a number of essential weaknesses appeared, in particular the lack of any real cost-benefit analysis

[162] *BTC Annual Report and Accounts 1960,* para. 1, p. 5.
[163] Gourvish, *British Railways*, p. 255.
[164] In 1956 over 200 questions about the railways were raised in parliament.

on the major areas of expenditure. This was hardly surprising given that the Commission was keen to make rapid progress with implementation of the Modernisation Plan, and was therefore prepared to accept 'shot' (educated guess) estimates for urgent cases of new works submissions.[165] There was also little evidence of strong management from the Commission, despite the acceptance by Robertson in March 1955 of the need for firm co-ordination at the centre in carrying out the works in the Modernisation Plan.[166]

Even so, the optimistic perspective of the BTC continued. It reported that 1956 had been a year of considerable progress despite reduced freight carryings, a decline attributed to a down-turn in the coal and steel industries. Nevertheless the 1956 Annual Report indicated the scale of the financial problem facing the BTC, when it detailed that the closure of the 189 route miles of the Midland and Great Northern Joint Railway was predicted to save only £640,000pa.[167] This reinforced the MOT view that only through a more radical approach to the size of the railway network could savings of the required level be achieved. However, the BTC itself continued to offer a different perspective, claiming in its 1959 Annual Report to have made considerable progress despite a continued growth in its deficit, a further decline in the level of freight traffic, and problems with industrial relations. Unsurprisingly such a positive assessment was not shared in the MOT, where existing concerns about the management of the railways were exacerbated by the seeming indifference of the BTC to its worsening financial position. These concerns were considered so serious that L. J. Dunnet, permanent secretary at the MOT, argued 'that it was becoming

[165] BTC minute 8/553, 24 November 1955, AN85/8.
[166] BTC minute 8/392, 24 March 1955, AN85/8.
[167] *BTC Annual Report and Accounts 1956*, para. 7, p. 1.

urgently necessary that we here and the government as a whole determine future policy with reference to the railways'.[168] The railways' financial position had deteriorated to such an extent that it was unlikely to be able to meet its interest charges after 1963, when the full impact of interest payments on recent capital expenditure would be fully felt.[169] Dunnet therefore argued that the basis on which the Modernisation Plan had been constructed was no longer valid. The MOT's view was that capital re-organisation would not resolve the issue, because even if the railways were relieved of all outstanding interest payments they would still not be financially viable. Dunnet also concluded (accurately in retrospect) that the railways would require additional funds for modernisation indefinitely. Given that the BTC was unable to generate sufficient funds to maintain its position, some officials in the MOT considered it to be effectively bankrupt.[170] Indeed, had it not been a public corporation then it would undoubtedly have been so.

The major weakness of the Modernisation Plan had been the lack of critical thinking behind its proposals. There is no evidence within the Plan of strategic planning regarding the future extent of the network. Nor was there consideration of the future demand for rail services in an era of rapid development in air transport and in road haulage and car ownership, underpinned by further road building. Although the railway management

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[168] MOT note RIW 29/1/021, 4 January 1960, MT115/77.

[169] Until the passing of the Finance Act 1956 (Section 42), the BTC obtained money for capital purposes through the issue of British Transport Stock guaranteed by the Treasury. Subsequently funds for capital purposes were advanced to the MOT (with agreement from the Treasury) from the Consolidated Fund. The purpose was to give greater control to the MOT and Treasury over BTC expenditure. The amount of BTC Stock outstanding by 1959 was £1,443m requiring an annual interest payment of £45·7m. Amounts advanced to the BTC under this scheme were: 1956 - £40m, 1957 - £64m, 1958 - £117m, 1959 - £123m, Financial Position of the BTC, 4 January 1960, MT115/77.

[170] Dunnet (MOT), 4 January 1960, MT115/77.

understood that the national transport system was in the process of change, there was insufficient appreciation of how fundamentally and rapidly that process was proceeding. It had also become clear at an early stage that the Modernisation Plan was not producing the financial changes required, in part at least because of insufficient investment appraisal. Within government the level of concern with financial issues was such that the BTC was instructed to submit to the Minister of Transport a 'Re-Appraisal of the Modernisation Plan for British Railways', which was later published as a White Paper in 1959. The implications of this were significant, and will be considered in the next chapter.

CHAPTER 5
RE-APPRAISAL AND RE-ASSESSMENT

Modernisation of British Railways made remarkable strides in 1958 and the twin processes of modernisation and rationalisation are creating a railway system attuned to the needs of tomorrow as well as today. Unfortunately the great advances made in 1958 were marred by losses in revenue with a total deficit for the year of £89 million.

(*Facts and Figures about British Railways*, BTC 1959 ed.)

According to Gourvish 'soon after the new railway organisation had been established, in the mid 1950s, the railways' economic fortunes changed dramatically, and in some cases irrevocably', and their 'overall financial position deteriorated to an alarming extent'.[1] Bonavia similarly observed that the late 1950s were 'a period of struggle in every way – struggle to implement the Modernisation Plan, struggle between the regions and the central organisation, struggle to discover whether the railways could continue to be financially viable or must become State pensioners'.[2]

These historical judgements were well represented in contemporary opinion. It was widely felt that the opportunity for radical change provided by the Modernisation Plan had been lost. Within the Ministry of Transport the verdict on the Plan was unequivocal: it had been a failure. This chapter will consider the implications for the MOT, and for its relations with the BTC. One effect for the BTC was that it was obliged to undertake a re-appraisal exercise – an attempt to overcome the weaknesses in the original plan, and in the efforts to implement it. This chapter will explain why this re-appraisal was also judged to be inadequate, and how the railway's accelerating

[1] Gourvish, *British Railways*, p. 173.
[2] Bonavia, *British Rail – the First 25 Years*, p. 99.

financial problems exacerbated government dissatisfaction with railway management and led to the imposition of a series of investigations into the operation of the railways.

I

Aldcroft's perceptive comments on the Modernisation Plan – that it came too late, was not properly thought out, and did not result in an all out attack on the many fronts of the problem, [3] has stood the test of time. Gourvish accepts that 'there is much for which the Commission must be directly criticised in its approach to the challenge of modernisation': 'all too often the BTC's organisation and planning mechanisms were unequal to the task'.[4] Moreover, the financial and political support for the Modernisation Plan represented a definitive government commitment to the rebuilding of the railways and was hardly in line with what Francis described as the Conservative party's ambiguous response to the role of the state.[5] Certainly there was no ambiguity in the 1955 Conservative General Election Manifesto which promised continuing financial support for the railways:

> We shall make it possible for the BTC to push on with its comprehensive plan of modernisation and re-equipment, so that the railways may earn their own living and a good wage for those who work on them. The public and industry are entitled to such a service.[6]

Acceptance of the Guillebaud Report was further government recognition of its responsibility for long-term financial support of the railways. Yet these commitments were dependent upon the railways providing a good service,

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[3] Aldcroft, *British Railways in Transition*, pp. 9, 175.
[4] Gourvish, *British Railways*, p. 293.
[5] Francis, 'Set the people free?' p. 64.
[6] *Conservative General Election Manifesto, 1955*, p. 10.

and – more pressingly – becoming financially solvent. Accordingly they did not preclude government attempts to force the BTC itself to undertake further major reorganisation, and if necessary to reduce its activities to a level at which its expenditure would match its income.

We have already seen that a key contributor to this dire financial position was the issue of labour efficiency. To be fair to railway management, this problem was widespread in the British economy, and by the late 1950s there was a perceived need to achieve greater labour mobility between occupations, and workplace flexibility by reducing restrictive practices. However, the complication for BR was that productivity had different significance for different actors. [7]

Greater productivity through the reduction of workforce inflexibility proved difficult for railway management to achieve, and proceeded much slower than was required to stem the financial problems. Even when new capital equipment was introduced, the process of introducing more modern operating practices was slow. A major cause was the reluctance of an increasingly intransigent railway workforce to accept change. On the operating side, Coster observes that 'trade union negotiation and consultation were now part and parcel of managing and operating the railway'. His conclusion on the effect is revealing: 'the intervention of trade unions could have been a force for the good and there were many cases where they were, but it was something which caused the railway management immense frustration, and the cost of the regular adversarial

[7] Tomlinson, 'The British productivity problem in the 1960s', p. 207.

charades throughout the system and over the years must have run into tens if not hundreds of millions of pounds'.[8]

The highly unionised labour force in the railway workshops was equally resistant towards change, perhaps understandably in view of the likely consequences. Bagwell found that the NUR shopmen[9] at their Annual Grade Conference 'expressed great alarm at the policy of the BTC in relation to the closing of shops and depots and the treatment of staff concerned'.[10] Even so there were opportunities during this period to relieve some of the unfortunate human consequences of change, because national economic trends were favourable to a policy of reduction in the labour force. According to Cairncross, between October 1958 and October 1959 industrial production increased by 10% and unemployment fell by 100,000. Unemployment fell by another 50,000 in 1960 and continued to fall during the first half of 1961.[11]

Nevertheless, change to the required extent was not implemented, with the result that productivity gains were slight. Indeed Deakin and Seaward estimated that productivity of all factor inputs combined may have declined slightly between 1952 and 1962.[12] So the railway management had been offered the opportunity for fundamental restructuring strategies by both the substantial funds provided under the Modernisation Plan, and the relatively positive condition of the national economy and labour market – yet this opportunity was not grasped. The effect was to increase government scepticism about the ability of the railway management to create a railway

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[8] Peter Coster, *The Book of the A1 and A2 Pacifics* (Clophill, 2007), p. 61.
[9] Shopmen was the name for employees in the railway workshops.
[10] Bagwell, *The Railwaymen*, p. 641.
[11] Cairncross, *The British Economy Since 1945*, p. 112.
[12] B. M. Deakin, and T. Seaward, *Productivity in Transport* (London, 1969), p. 115.

system which responded to market forces, and to improve its competitive position through increased productivity. In short, the government understood that the BTC's policies on restructuring and productivity were feeble.

It was against this background that the first serious questioning of the Modernisation Plan began as early as 1956, when it became clear from the published 1955 accounts that despite high levels of investment, both the annual operating loss and the accumulated deficit of the railways were rising.[13] In March 1956 Eden expressed concern to Watkinson about the BTC's competence, particularly its ability to handle labour issues, and asked whether it could be strengthened.[14] The concern had particular force because although the BTC was making efforts on modernisation, it seemed unwilling or unable to implement the concomitant element – retrenchment. Between 1954 and 1958, during the early stages of implementation of the Modernisation Plan, railway route miles had been reduced by only 303 miles.[15]

More could have been done to control costs, and not just in those aspects already indicated. There were possibilities for economies in reducing the size of the network, and more easily in motive-power policies. Many other opportunities for economies were not taken, particularly with regard to labour utilisation. An example includes the heavy increases in working expenses because of rising staffing costs, identified by the BTC in late 1957. These were reported as being most acute in the 'many small parcels offices which had no opportunity for increasing trade and should

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[13] The British Transport Commission, *Proposals for the Railways*, Cmnd. 9880 (*Parliamentary Papers,* 1955-56, xxvi, 419), p. 3.
[14] Eden to Watkinson, 1 March 1956, MT96/36.
[15] See Appendix 2, p. 341.

have been closed years ago'. Yet nothing was done: there were no instructions to pursue this promising line of cost savings. A further example is the lack of action taken to reduce the extensive and under-utilised wagon fleet, despite reports of excess units.[16]

Questions about the BTC's approach to the Modernisation Plan arose from research on merchandise traffic undertaken in 1959. This useful and revealing exercise was undertaken at the behest of Watkinson, who was evidently aware of a need to prod the BTC towards more strategic thinking. In 1959 he arranged a series of meetings between Robertson, and the leading members of the Federation of British Industries, the Association of the British Chambers of Commerce and the National Union of Manufacturers (NUM), which resulted in a joint investigation by the NUM and the BTC to determine the reasons for the decline in rail traffic, and to suggest ways that traders could be persuaded to return to rail.[17]

Table 4: GENERAL MECHANDISE TRAFFIC CARRIED BY BR 1948-1958

Year	Tons (million)	Index
1948	55	100
1949	54	98
1950	53	96
1951	53	96
1952	50	91
1953	49	89
1954	47	85
1955	43	78
1956	43	78
1957	42	76
1958	36	65

Source: NUM/BTC Report based on BTC Annual Reports.

[16] BTC minute 10/440, 24 October 1957, AN85/11.
[17] Report on Industrial Rail Traffic by a joint Committee of the President of the NUM and the Chairman of the BTC, 24 March 1959, MT115/248.

As Table 4 indicates, its findings showed a serious decline in merchandise traffic, despite the overall expansion of national industrial and economic activity which was occurring during this period. Moreover, the decline had accelerated after 1955, exacerbated by the national rail strike of that year. Even the Modernisation Plan's heavy investment, which had generated technical improvements to freight operation, had been unable to attract custom back to the railways.

In its joint report, the NUM considered that the decline was caused by road transport offering a service which was more reliable, speedy and free from damage and loss than that provided by the railways. In addition, it argued that the railways had not marketed their services effectively, and appeared not to appreciate the needs of modern manufacturing industry. It identified a specific concern: an inability to ascertain where a consignment was, or its progress once it had left a station. Only when this weakness was resolved and reliability improved could there be a restoration of confidence in the railways. The NUM further believed that the railways could benefit from improved public relations and better salesmanship. Unsurprisingly, in view of this and other strong criticisms, Robertson insisted that the report remain confidential.[18] Yet the real significance of the report lies not just in its contents but in the fact that the Minister of Transport had felt it necessary to intervene and broker a meeting between the BTC and its customers, and to prompt an investigation into what was a well-known problem. It had simply not occurred to the BTC itself that such enquiries would be helpful. The report's conclusions indicated a disturbing lack of emphasis on quality of

[18] Robertson to Watkinson, 15 July 1959, MT115/248.

service and on business relations – matters which should have been fundamental considerations in the development of the Modernisation Plan, for both freight and passenger traffic. However, the Plan had concentrated instead on technical improvements as the way to retain and increase business.

II

As shown in Chapter 4, the 1956 revision of the Modernisation Plan, while appearing more comprehensive than the original, remained overly optimistic and concentrated on aspects of physical planning.[19] Even so, publicly at least, government rhetoric towards the Commission continued to be positive and the financial support continued. However, by 1958 there was growing unease in the MOT as the railway's financial position deteriorated. The working deficit increased from £16m in 1956, to £27m in 1957, and to £48m in 1958[20] – this before the addition in 1958 of central charges of around £41m, or approximately 8·5% of gross receipts.[21] To compound this concern, there were serious questions on other aspects of management, including the system of financial control, monitoring of capital expenditure, and attitude towards investment appraisal. As a result, in December 1958 Watkinson asked the BTC to justify its strategy through 'a full, detailed and urgent review of the whole Modernisation Plan'.[22] The BTC's response was:

Re-appraisal has shown that the original plan was soundly based; that no need to make fundamental changes to it has been discovered; and that it is a sound investment from the country's point of view. Subsequent events have made desirable some modifications, but these are not many, and are principally in the

[19] Gourvish, *British Railways*, p. 295.
[20] *Facts and Figures about British Railways,* 1956-59 editions.
[21] *Facts and Figures about British Railways 1959*, p. 7.
[22] *Re-appraisal of the Plan for the Modernisation and Re-equipment of British Railways: a Report by British Railways, (Parliamentary Papers* 1958-59, Cmnd. 813, xix, 777), p. 1.

direction of accelerating its execution. Where the financial forecasts of 1956 have not been realised, the causes lie predominately in forces which were expressly excluded as being outside the scope of the commission.[23]

This was hardly the reaction envisaged within the MOT, the more so because of Robertson's confident assertion that the railway's financial performance would rapidly improve, and was expected to generate a working surplus of between £50m and £100m by 1963.[24] The Re-appraisal Report declared that this would be achieved through some limited revisions to the Modernisation Plan, including a more compact and economic system engineered through a programme of station closures and a review of all lines west of Exeter. In addition, a re-assessment had been made early in 1959 of the 22 railway works engaged in the repair and manufacture of locomotives, which concluded that only 12 would remain by the end of 1963, with some of the older works closed by the end of 1959.[25] Even so, little was added to what was already obvious, and as Gourvish comments 'the financial calculations in the 1959 Re-appraisal were extremely vague'.[26] In effect the Re-appraisal Report simply restated much of the original Modernisation Plan and its five main objectives: the concentration and simplification of freight traffic; improvements to the comfort, speed and regularity of passenger services; development of suburban traffic to increase revenues; rationalisation of the network by pruning uneconomic lines, and economy in manpower and equipment using new methods to increase productivity. There was no attempt to assess the economic return from the various schemes, or to validate them by any other criteria. No financial justification

[23] *Re-appraisal of the Modernisation Plan*, Introduction.
[24] Robertson to Stedford, 26 July 1960, AN13/2740.
[25] *Re-appraisal of the Modernisation Plan*, Appendix B.
[26] Gourvish, *British Railways*, p. 298.

had been made for major investment schemes, as physical planning for implementation appeared to be given the higher priority. Gourvish rightly observes that 'the defects inherent in the hurried BTC submission of 1954 are perhaps excusable; much less so is the Commission's defence of its position during the process of revision and reappraisal in 1956 and 1959'.[27] It might be added that had the initial Modernisation Plan been properly researched and constructed, with appropriate financial criteria and effective review procedures, then the re-appraisal exercise would have been unnecessary.

Concern with the re-appraisal exercise resonated in the Treasury, which examined the calculations on the future size of the railway network, its financial implications, and the continued requirement for investment funds. This investigation found the cost of the Modernisation Plan had increased from the initial 1954 estimate of £1,200m to £1,660m in 1957 and required continued investment of £150m pa. Not only that, but of the anticipated £68m reduction in operating expenses, only £5m were expected to be achieved through reductions in the size of the network.[28] The Treasury's anxieties were soundly based, because the management had failed to achieve anywhere near the operating savings promised, something hardly surprising given that it was unable to control its total planned investment expenditure by as much as £460m.

Another significant development occurred in October 1959 when Marples replaced Watkinson. Marples' background had been in business

[27] Gourvish, *British Railways*, p. 293.
[28] Joint Treasury/MOT memo, 8 July 1959, PREM11/3147.

where he had gained a reputation for energy and efficiency.[29] After entering politics, he gained experience in government as Postmaster-General, where Macmillan recognised his effectiveness and considered that his approach was what was needed on the railways.[30] Hardy considered him 'no ordinary Minister', on the basis that 'he led from the front and demanded results'.[31] Edward Heath described him as a man full of ideas, including different ones that might be the grain of sand that produces the pearl![32] It is likely that this background prompted his use of outside commercial expertise to analyse the railway's problems.

Marples and his MOT officials unsurprisingly decided that the re-appraisal submissions from the BTC were insufficient, and insisted upon a further review of investment policy. Again, the response from the BTC was to reproduce essentially the same information. This provoked irritation in the MOT:

> It is clear that the Commission's whole approach as reflected in this programme is wrong. The paper is fundamentally a rewrite of the original plan and the re-appraisal and there is no recognition of the Government's stated intention that a modernised railway system must be of the right size and shape and a foundation for financial recovery must be laid. The objective of the programme remains virtually the same and there has been little attempt either to assess the economic return of various schemes or to justify by other criteria. The present management seems unlikely to be able to re-orient their ideas to produce a realistic programme.[33]

MOT concerns were intensified after the BTC Finance Department admitted that it was unable to calculate the returns on any particular investment:

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[29] Marples had been joint owner of the road construction company Marples-Ridgeway.
[30] Horne, *Macmillan, 1957-86,* p. 250.
[31] Hardy, *Beeching,* p. 33.
[32] Ramsden, *Making of Conservative Party Policy,* p. 195.
[33] BTC Modernisation programme, MOT Railways B Division, 23 January 1960, MT132/32.

The benefits from modernisation spring from a combination of factors and are not solely attributable to any single feature of the plan in isolation. It is not possible, since the various different measures are so largely independent, to specify how much benefit is attributable to a particular feature.[34]

Disquiet with the lack of financial precision in the BTC's investment policies increased still more when Robertson informed Marples that the whole of the 1961 investment allocation of £125m and the reserve of £15m had been earmarked for the London Midland electrification scheme. Robertson even went on to predict that the Modernisation Plan would require increased investment of £175m each year from 1962 to 1964.[35]

Such statements led to the intuitively attractive conclusion that Robertson and the BTC were financially naive. But this would be superficial; the reality is more complex. Robertson was almost certainly fully cognisant with the financial issues, but adopted an intransigent attitude as a holding tactic in the belief that the Modernisation Plan would ultimately deliver substantial operational benefits. If it did, and thereby secured widespread public approval, then the BTC approach would be exonerated and the public service concept applied more enthusiastically. Marples remained unconvinced. His understanding of the railway's financial position led to a conclusion that only fundamental change could resolve the issue. The result was the institution of a series of inquiries into railway management and governance which proved the precursor for far-reaching change.

III

Associated with these concerns about the abilities of railway management was a wider issue about the governance of all the nationalised industries – in

[34] BTC Finance Department to SAG, 29 July 1960, AN13/2741.
[35] Robertson to Marples, 19 December 1960, AN13/2741.

particular the long-term policy question of the best machinery for securing effective parliamentary supervision of what was an extensive element of the national economy under public ownership. Even in 1956, a great gulf between ministers and backbenchers still seemed to exist on nationalisation issues,[36] particularly over the extent of political control. In effect, this meant a wish from back-benchers on both sides of the House to press for greater answerability to Parliament on matters of detailed operation. As a result, a sub-committee of the Cabinet Home Affairs Committee undertook an investigation into parliamentary accountability of the nationalised industries. This sought to identify machinery capable of serving the differing (and sometimes clashing) interests of the government, its own back-bench MPs and the opposition parties. It concluded that the best means of using parliamentary time effectively was through the continuing use of the Select Committee on the Nationalised Industries, and this should focus on particular issues, such as general problems or aspects of administration. It further recommended that the procedure should not allow the chairman of the industry concerned to use it as an opportunity to air policy differences with the minister.[37]

As a result, the select committee process continued unchanged. But an examination of railway activities was instituted after the re-appraisal exercise generated growing parliamentary concern. Although a major factor in this was concern about the continuing and increasing financial support from the taxpayer, there was also growing unease over the extent of informal

[36] Green, *Ideologies of Conservatism*, p. 245.
[37] Cabinet Home Affairs Committee, H.P. (N.I.) (56), 2 January 1956, CAB21/3853.

ministerial influence on management.[38] A Select Committee on the Nationalised Industries to investigate the railway activities of the BTC was instituted in November 1959. Its membership comprised 13 MPs, with Sir Toby Low as chairman, and it took evidence between January and May before delivering its two-part report in July 1960.[39] The first section dealt with the factual background, including the extent of the railway's financial deficit, while the second asked pertinent questions about future financial performance.

The Select Committee Report was critical of the railway's commercial and operating strategy, in particular the BTC's expenditure on providing services which did not cover costs. This issue of social subsidy had not been previously resolved satisfactorily, and it would take some time to do so. This was because the Select Committee decided that the best initial test of what the public needed was what it was prepared to pay for; if further social considerations were involved then the government, not the BTC, should decide on them.[40] The Select Committee concluded that confusion between economic operation and social desirability had been a causal factor in the railway's financial problems. It calculated that current fares and charges were substantially lower in real terms than in 1938, and that passenger charges were still based on a standard charge per mile, although freight charges demonstrated a greater degree of flexibility. Staffing policy received criticism in that the railways showed an unwillingness or inability to recruit

[38] Cabinet Office, Select Committee on the Nationalised Industries, 17 November 1959, CAB134/2247.
[39] Select Committee on the Nationalised Industries, *Report on British Railways*, 11 July 1960, (*Parliamentary Papers* 1959-60, vii. 233), see also Gourvish, *British Railways*, p.300.
[40] Select Committee, *Report on BR*, para. 415.

graduate engineers to supplement the railway's own apprentice training schemes. However, the main criticism was reserved for the lack of precision in calculating costs and returns for the London Midland Region's scheme to electrify the main-line from London to Manchester. Inexplicably, this highly expensive investment had not been subject to any form of critical appraisal, until Marples had ordered an assessment in 1960. Gourvish's defence of the BTC on this point is questionable. He blames the MOT and the Treasury for not making an assessment themselves, yet Robertson had successfully insisted that the BTC and not government were responsible for the Modernisation Plan.[41] Nor is it entirely valid to argue that this lack of investment appraisal was characteristic of much of British industry at the time, and was not a feature of railway management.[42] It is accepted that investment appraisal had not been widespread before then. The first public cost-benefit analysis of British road development appeared in 1960 and according to Scott highlighted methodological difficulties rather than solutions.[43] It was not until the 1967 White Paper, *Nationalised Industries, A Review of Financial and Economic Objectives* that the recommendation was made for the use of discounted cash flow with a common test rate of 8%.[44] Even allowing for these considerations, given the extent of physical works, detailed planning and the massive cost implications of the project, a more comprehensive assessment should have been undertaken. Moreover, the BTC itself had argued in its evidence to the Select Committee that the

[41] Gourvish, *British Railways*, p. 566.
[42] Ibid., p. 304.
[43] Scott, 'Public Sector Investment', p. 408.
[44] Gourvish, *British Railways*, p. 518.

technical test of a project was its own responsibility, and that the expected return on future investment should be subject to examination.[45]

Even so, the Select Committee recommended that the London Midland electrification project be completed despite projected low rates of returns – although according to Hardy this opinion was not universally shared.[46] More generally, the Select Committee Report gave a severe verdict. It notably quoted a Treasury assessment of the Modernisation Plan as 'merely a hotch potch of things that the Commission was saying it was desirable to try to achieve by 1970, ill qualified and not readily explainable'.[47] It declared that increased labour costs due to higher wages had now brought the BTC's financial problems to a head. And it concluded that it had become essential to create a more compact railway network, allowing greater efficiency and economy of operation.

Yet while the Select Committee Report proved a useful starting point for a phase of intensive investigation into the railways, it did not go far enough for Marples. He considered that it had not provided the detailed analysis and business awareness needed to plan the changes necessary to transform the railways. Indeed, the Select Committee itself held this view: 'your Committee are not qualified to pass judgement on the Commission's organisation, nor are they qualified to do so'.[48] Accordingly, Marples confided to Macmillan that he would 'like to get three wise men or something like the Herbert Committee to consider the future of the railways'.[49]

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[45] Select Committee, *Report on BR*, para. 10.
[46] Hardy, *Beeching*, p. 31.
[47] Select Committee, *Report* on *BR*, para. 164.
[48] Ibid para. 356.
[49] Minutes of Macmillan - Marples meeting, 14 December 1959, PREM11/3147.

Macmillan thereupon established the Special Advisory Group (SAG), chaired by Sir Ivan Stedford (an associate of Macmillan from the war-time Ministry of Supply), to advise Marples and to examine the structure, finance and workings of the BTC's activities.[50] The membership of SAG[51] was specifically selected to bring commercial expertise from outside government and the railways to bear on the problem. Stedford himself was now Head of Tube Investments Ltd, and other members were drawn from commercial concerns. They included Dr. Richard Beeching from ICI.

The interim and final reports of the SAG were never published. Bonavia was unable to consult them because they were then still regarded as strictly confidential by the Ministry of Transport.[52] Gourvish had a similar difficulty: he was unable under the '30-year rule' to see the relevant MOT files and was therefore reliant upon the evidence contained in Beeching's and BTC papers lodged in the BRB archives.[53] Although the reasoning and the findings of the SAG can be gleaned from these sources, the response to them by the MOT, and its subsequent policy decisions cannot. So for example, Gourvish is impressed by the 'shocked surprise adopted by the civil servants in 1960',[54] unaware that MOT officials had been deeply concerned over the financial condition of the railways ever since the early preparations for the Modernisation Plan in 1955.

The relevant MOT files are now available for study in the National Archives at Kew. What these records make clear is the extent of the MOT's pressure for more detailed investigation into the affairs of the BTC, in

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[50] Horne, *Macmillan 1957-86*, p. 250.
[51] Also widely referred to as the Stedford Group, after the name of its chairman.
[52] Bonavia, *Organisation of British Railways*, p. 79.
[53] The relevant citations can be found in Gourvish, *British Railways*, pp. 706-708.
[54] Gourvish, *British Railways,* p. 304.

particular, into its systems of financial control, notably towards investment. The MOT had difficulty in understanding the investment policies, and concluded that the BTC's Finance Department had an ambiguous and evasive attitude towards the various questions it had asked. This is hardly surprising given that Department's continuing insistence on the impossibility of attributing the benefits from investment in modernisation to any particular single feature of the Modernisation Plan in isolation.[55]

Of all the enquiries and investigations so far undertaken into the railways, that undertaken by SAG was the most thorough, detailed, and influential. SAG began reporting to Marples on a regular basis from 3 June 1960, and later that month he reported their initial findings to a Cabinet BTC Reorganisation Committee chaired by Macmillan – an important policy-making group to which Gourvish makes only scant reference. That the Prime Minister should set up and preside over a committee devoted to a particular nationalised industry is remarkable: it indicates the great importance now attached to solving the railway's problems. Its remit was twofold: to create a forum to consider the various reports and investigations then under way, and to develop policies designed to resolve the railway's problems. At its first meeting in June 1960, the committee was informed that SAG shared the Select Committee's criticism of the BTC's organisation and policies, above all its failure to give sufficient weight to financial issues. It agreed that the railways could and should be run as a commercial operation, and that it

[55] BTC Finance Department to SAG, 27 September 1960, AN13/2719.

needed to shake off its public-service mentality and revert to thinking reminiscent of conditions before nationalisation.[56]

After only its second meeting, SAG's concerns with BTC's financial position intensified to such an extent that it made a remarkable recommendation: the Modernisation Plan should be paused until a proper financial evaluation could be made of the costs and benefits of the various investments:

> Our enquiries have led us all to the same conclusion, that whatever the prospects of the Modernisation Plan might have appeared some six years ago, and officially endorsed, there are now serious doubts as to the financial merits of the modernisation programme that has emerged, both in the light of capital costs and likely returns. There is everything to be said from holding up for review those parts of the Modernisation Plan on which expenditure already started has not reached the point of no return, so that all can be looked at afresh.[57]

The only exceptions to this proposal were necessary replacements of worn-out assets, or improvements in safety requirements. The moratorium was not to apply to projects where expenditure had been substantial and was essentially complete; these were to be finalised as soon as possible. All other individual schemes exceeding £10,000 were to be tabulated with details of their progress to date, in order to allow the MOT and SAG to decide whether they should be continued or not. Like the Select Committee, SAG expressed particular concern with the state of work on the London Midland electrification scheme and about the further investment required. It added another concern: the anticipated cost of halting it. Stedford unsuccessfully sought details from Robertson on the costs, and requested an estimate of the potential expense involved in breaking contracts at that

[56] Cabinet BTC Reorganisation Committee, 29 June 1960, CAB134/1434.
[57] SAG Preliminary Report to Marples and Robertson, 17 June 1960, CAB134/1433.

stage.[58] Robertson strongly opposed such action because 'a major change in the Plan such as the one contemplated would bring in its train many consequences physical and moral which cannot be stressed in advance'.[59] He remained insistent that despite the findings of the Select Committee, the re-appraised Modernisation Plan would ultimately bring financial stability to the railways. Robertson's further correspondence with Stedford is remarkable for his persistence in arguing that the railway's financial problems could be immeasurably eased by changes outside their own control.[60] These included the general level of interest rates, taxation on motor vehicles, and public opinion towards the railways. All this reinforces the impression that Robertson was prevaricating, in the belief that in the near future good returns on the Plan's investment would become apparent, in terms of increases in both traffic and revenue.

The most compelling comments from SAG are found in the background notes: 'We have found the non-commercial outlook of almost everyone we have interviewed disturbingly impressive'. It identified an 'obscuring of objectives from the top downwards', and an 'absence of a satisfactory degree of personal responsibility – obscured at the top by a cumbersome complex of committees'. It was critical of the narrow specialism and traditional railway conservatism of managers, considering this as a factor hindering modernisation and change. All tiers of management were found to be lacking commercial awareness and cost consciousness. But criticism was not confined to management: government social policy was

[58] Stedford to Robertson, 9 June 1960, AN13/2719.
[59] Robertson to Stedford, 21 July 1960, AN13/2719.
[60] Robertson to Stedford, 26 July 1960, AN13/2740.

diagnosed as a contributory factor towards the railway's disappointing financial results.[61]

At an early stage of its investigations SAG emphasised that any remedy for the railway's financial deficit would mean that 'sweeping changes will be needed and the public will have to be prepared to face changes in the extent and nature of the services provided, and where necessary in the prices charged for them'.[62] In effect, SAG gave early warning of the need to develop a political strategy for dealing with what was likely to become a contentious issue – that of public reaction to the implementation of the new strategy for the railways. It correctly predicted 'unease as to the extent of these issues'. [63] This was almost certainly instrumental in the Cabinet's decision that the findings of SAG should not be published. Nevertheless, the recommendations made a significant contribution towards a major re-assessment of policy. When the findings were considered in conjunction with the other inquiries, it was concluded that further legislation was essential.

The Special Advisory Group's recommendation No. 8, on the future organisation of the transport industry, divided the SAG. Beeching was doubtful of Stedford's insistence of a decentralised structure comprising: a holding company and powerful regional boards. Beeching's view (supported by Henry Benson, an accountant from Cooper Brothers), was strongly in favour of a strong central authority with functional responsibilities.[64] Gourvish considered this 'indecisive' and doing 'nothing to relieve the

[61] SAG - Findings on BR, September 1960, AN13/2713.
[62] Cabinet BTC Reorganisation Committee, 6 December 1960, CAB134/1434.
[63] Cabinet BTC Reorganisation Committee, 14 November 1960, CAB134/1433.
[64] Gourvish, *British Railways*, p. 312.

uncertainty as to the future amongst the ranks of the BTC'.[65] Yet this was hardly the fault of the SAG; the very reasons for the investigation were the BTC's lack of progress in resolving the railway's problems. And anyway, each of the two schemes the first, proposed by Stedford, was unacceptable to the Commission and, the second, proposed by Beeching was completely rejected by them.[66] Indeed, the view of Thomas Summerton, Chairman of the North Eastern Area Board and BTC member, that recommendation No. 8 was 'superficial and has not really been thought out', [67] is ironic, considering the BTC's own approach to the Modernisation Plan and the re-appraisal exercise.

Marples responded rapidly to the SAG's various recommendations by creating a working party, the Ministerial Group on Modernisation (MGM), to formulate a new policy for the future of the railways. The records of the meetings of this key group also require some attention, because they too were unavailable to Gourvish.[68]

Marples himself was chairman of the MGM: the other members were MOT and Board of Trade representatives, and Beeching. Marples had two aims: not only to secure change in the railway management, but also to ensure that it was more receptive to departmental and ministerial control. The full terms of reference were to:

Consider the size and pattern of the railway system required to meet current and foreseeable needs in the light of developments and trends in other forms of transport, changing industrial needs, social habits and other relevant considerations. In the light of the above and with particular regard to financial

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[65] Ibid., p. 317.
[66] Ibid., p. 318.
[67] Summerton, cited in Gourvish, *British Railways*, p. 317.
[68] Gourvish, *British Railways*, p. 302.

considerations and the resources available, to make recommendations on the modernisation of British railways.[69]

The MGM minutes reveal a considerable lack of confidence in the ability of the BTC management to respond to changes in the transport market. It very much doubted the BTC's view that 'extensive modernisation of the railways in conjunction with only minor reductions in services and a limited contraction of the network would lead to efficient, adequate and economic services and ultimately financial viability'.[70] It also criticised the BTC's lack of strategic planning, notably consideration of future traffic trends and its most efficient operational management. The MGM, like the MOT, was surprised at how little the BTC knew about the actual cost of carrying traffics, although it appeared to have a good deal of undigested information on the subject. It recommended a proper examination of these costs, yet accepted that the MOT did not have the resources available to undertake it, and that the BTC did not have the right people for the job.[71]

A further pressing need identified by the MGM was for a national transport strategy based on a searching assessment of the role of the railways in relation to the nation's transport requirements. It considered such an analysis essential, because plans for British Railways could only be formulated effectively when allowance was made for changes in the pattern of transport as a whole. This recommendation ultimately led to a further study conducted in the MOT to ascertain the likely demand for transport facilities over the next ten years. The work was carried out under the chairmanship of Sir Robert Hall (economic adviser to Marples), with a small

[69] MGM minutes, Appendix, 10 August 1960, MT124/102.
[70] MGM minutes, 16 August 1960, MT 124/102.
[71] Dunnet to Grand, 29 August 1960, MT124/102.

group from within the MOT, assisted where necessary by other government departments. Gourvish makes no reference to this important study, again because the relevant MOT files were still closed.

The Hall Report concluded that the growth of inter-urban traffic would be determined almost solely by private car usage, and that other factors such as railway provision would be negligible. It did not share the BTC's confidence that it could recapture some of its lost freight custom, and correctly predicted further decline in coal and coke traffic. It found that road transport offered faster and more reliable delivery. While such conclusions were hardly new, the Hall Report confirmed the long-held MOT view that the financial problems of the railways could not be resolved by increased traffic receipts in isolation. The findings pointed to the need for further research into two fundamental questions facing the MOT. The first was the level of investment required for transport as a whole, the second how this investment was to be apportioned between road and rail. The Hall Report identified a need to improve the criteria for investment planning, and for this to be developed in conjunction with a study of the nature of transport demands and costs incurred by transport operators. It recommended that this information should be used to develop a long-term plan on the kinds of services provided, and where and when. [72]

While the Hall Report was not notably significant in itself, it was part of a wider movement in the MOT towards a more robust approach towards the railways, and particularly the need for greater accuracy and planning in its capital programme. An outcome of its conclusions was the setting up of

[72] The Hall Report, MT96/174.

another committee from the MOT – the Long Term Transport Policy Steering Group. This group had the remit to 'supervise the study by the MOT of the development of transport requirements over the next twenty years'. Given that it comprised members of the MOT, unsurprisingly its initial verdicts on finance and the size of the railways were very much in line with other findings being relayed to Marples: 'our own view is somewhat pessimistic about the problem which is now under consideration by yourself and Dr. Beeching'.[73]

It was clear from the findings of the various reports that concerns about both the financial future of the railways and the strategic capability of its management were well founded. While MOT unease emanated from financial considerations, it had become clear that the BTC was ill-equipped to respond to the rapid changes taking place in transport as a whole. The MOT perceptively saw the difficulties of the railways as practical problems, requiring practical answers.[74] These factors explain the thinking behind Marples' determination to appoint a commercial strategist from outside the railway industry.

The impending retirement of Robertson gave Marples the opportunity to appoint a replacement whose thinking mirrored that of the Stedford Group. Marples believed change vital, for as Richard Lamb noted he regarded Robertson as financially and technically incompetent, and overly sympathetic to the trades unions.[75] Moreover, the damning conclusions of SAG made change to both personnel and management structures inevitable. Marples was politically astute, and effectively nullified any opposition from

[73] Long Term Transport Policy Steering Group to Marples, October 1961.
[74] Serpell to Marples, 16 December 1960, MT124/566.
[75] Lamb, *The Macmillan Years,* p. 433.

the BTC with a substantial *ex gratia* payment of £12,500 and a generous superannuation entitlement to Robertson.[76] Given the poor financial and strategic performance of the BTC under Robertson, and the need for an alternative approach to the railway's problems, it could be argued that this move represented a sound strategy.

IV

Gourvish argues that responsibility for the Modernisation Plan's failure lay as much with the 'villains in the corridors of Whitehall' as with 222 Marylebone Road, the BTC headquarters. He does accept that the BTC's handling of its investment programme had been amateurish and periodically complacent.[77] Nevertheless he offers a defence: 'the failure to spend more money before the mid-fifties had a long-term impact in influencing the attitude of railway managers once the investment brakes were released with the acceptance of the Modernisation Plan in 1955'.[78] As a case for mitigation, this seems thin: members of the BTC had extensive experience in higher management, yet they still authorised a number of highly suspect investment programmes. Moreover, while it may have been convenient for the BTC to blame the MOT for the shortcomings in the Modernisation Plan, this too does not bear much scrutiny. The Plan's weaknesses lay as much in lack of a strategic overview as in the lack of investment appraisal. As a result it was heavily constrained by the implementation of modernisation on a piecemeal basis, which too often resulted in traffic losses rather than in the anticipated gains.

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[76] Marples to Commons, *HCDeb*, 636, c.1401, 15 March 1961.
[77] Gourvish, *British Railways*, p. 303.
[78] Ibid., p. 90.

Gourvish is at pains to point out that 'many of the schemes implemented during the modernisation period were worthwhile and would have satisfied more stringent tests, had they been applied', and that 'even those schemes which were not really justified in purely commercial terms reduced operating costs and cut the railway's deficit'.[79] Marples would not have agreed, for he questioned the whole value of the Modernisation Plan, which required expenditure of £1,600m to generate savings of £28m pa.[80] More evidence can readily be added. There was the debacle over the introduction of dieselisation and braking systems, both of which proved enduringly expensive and disruptive. The 25 expensive new marshalling yards built, or in the process of being constructed, would almost certainly not have been sanctioned had trends in freight traffic been more effectively researched. Bonavia outlines how on the LNER in the 1930s the 'traditional staging of urgent traffic from one marshalling yard to another was being replaced by through trains between principal centres'.[81] However, BR management took a different view, and it was not until the Beeching period that the traditional assumption that long-haul wagon loads required expensive and time consuming re-marshalling every 30 miles was rejected.[82] Even the conclusion by Gourvish that 'one or two gleams of light shone in this gloomy picture of freight investment before 1963',[83] is debatable. One of the gleams – the 'Condor' container train which offered overnight door-to-door service from London to Glasgow, initially suffered a bad reputation from the regular failure of the diesel locomotives programmed for its haulage, with

[79] Gourvish, *British Railways*, p. 304.
[80] Marples-Macmillan meeting, 1 March 1960, PREM11/3147.
[81] Bonavia, *History of the LNER 1934-39*, p. 71.
[82] Thompson and Hunter, *Nationalised Transport Industries*, p. 176.
[83] Gourvish, *British Railways*, p. 290.

the result that by the end of 1959 loadings were just thirteen wagons.[84] And anyway, it was hardly any improvement on the famously fast 'Glasgow goods' overnight service run by the LNER in pre-war years.[85]

Furthermore, the lack of proper market research and accuracy in determining financial costs and potential results deprived the BTC of a major instrument of business analysis, and resulted in a substantial waste of resources. The Plan appeared to be founded on the change from steam to diesel traction, with a few additional electrification projects. Little emphasis had been placed on the need to improve passenger facilities in an era of rapidly changing economic and social expectations. No strategy had been formulated to clarify what the railways were for and what they should carry, by what operational methods and at what charge.[86] It appears that the BTC believed that the paradigm shift to commercial and financial success would be achieved through a combination of small detailed changes and technical advance. The Modernisation Plan was therefore seen by railway management as an opportunity to fund technical development in key areas, rather than to institute radical strategic and operational change.

Failure to control the Modernisation Plan's costs led to scepticism in government, with large implications for the mechanics of state-industry relationships. In the MOT the view developed that general guidelines were ineffective in controlling or even influencing the BTC's investment programme. In addition serious doubts arose as to whether the investment was worthwhile, and Macmillan expressed sadness that money had been so generously provided for the railways yet proved to be of such doubtful

[84] Unattributed, 'Flight of the Condor', *British Railways Illustrated,* 11 (2002), p. 272.
[85] Bonavia, *History of the LNER 1934-39*, p. 70.
[86] Fiennes, *I Tried to Run a Railway*, p. 76.

economic value, when finances were so tight for new roads.[87] It was not only the amount of investment which raised concerns, but the apparent need for continued increases. These problems had been identified in the Treasury when it reviewed the railway's investment programme for the Economic Planning Committee (EPC), and found the initial 1954 requirement of £1,200m had increased to £1,600m in 1957.[88] The BTC had argued for the increase on the basis of rising prices and necessary additions to the Modernisation Plan, when as we have seen the reality was that major works such as the London Midland electrification scheme had never been properly costed and financially controlled. With investment requirements estimated to be £150m pa in the foreseeable future, but savings from station closures and a reduction in the network anticipated to be just £5m pa, it can easily be understood why the government felt compelled to act. This and the contents of the various reports led to the conclusion that only by significant changes to railway management thinking and by a more effective organisational structure could the problems be resolved.

Gourvish defends the Modernisation Plan on the grounds that 'it is doubtful that the Treasury or the Ministry of Transport could have produced a clearly reasoned alternative to the BTC's approach'.[89] This is perhaps debatable, but surely misses the point: the BTC were charged with railway management and robustly resisted government interference in the Modernisation Plan. Its attempt to plan and implement a new era for the railways had foundered on its own inability to develop the necessary commercial approach allied to a change operating mentality. The result of all

[87] Marples-Macmillan meeting, 1 March 1960, PREM11/3147.
[88] 'Secret Treasury/MOT memoranda' to EPC, 8 July 1959, PREM11/3147.
[89] Gourvish, *British Railways*, p. 272.

the various investigations, particularly the impressive and comprehensive work of analysis undertaken by Stedford's Special Advisory Group, was instrumental in confirming to Marples that only through fundamental change could the problems of the railways be resolved. Consequently, Marples developed a strategy which sought to resolve the issues through a combination of legislative action, and changes in the higher echelon of management of the BTC. The results of this approach proved enduringly controversial.

CHAPTER 6
THE BEECHING ERA

Political Dynamite: The Beeching Report contains no surprises, it is a most clear, logical and concise analysis of the railways which has long been postponed. It is sufficiently drastic to call for either great courage or a spirit of desperation on the part of a government which will have to decide to implement in whole or in part.

(*Railway Gazette*, 29 March 1963, p. 345)

Marples' strategy for the railways was to use the findings of the various investigations of 1959 to 1960 to legislate for a new and comprehensive organisational framework. This implementation of a new phase in government thinking towards resolution of the railway's financial and managerial problems required new leadership of the railway industry. As a result, Richard Beeching was appointed the new Chairman of the BTC. Moreover, this strategy was not undertaken in isolation, for by this time almost all the nationalised industries were experiencing problems, notably financial difficulties, and the government took the step of providing new and clear requirements of them.

The result of all this was to prove highly controversial, and this period in railway history is here re-considered through an examination of Ministry of Transport files which were unavailable to earlier historians, including Gourvish, Bonavia and Hardy. In general, these files cover the findings of the various inquiries and the subsequent thinking within the MOT on the restructuring of the railways. In addition to the minutes of the MGM,[1] those of particular interest are the records of the Interdepartmental Working Party on

[1] MT124/102,which became available in 1991.

the railways,[2] the MOT's response to the BRB's Traffic Studies and Future Plans,[3] and discussions on financial targets for the BRB.[4]

The focus of this chapter will be upon four inter-related questions. What was the reasoning behind the appointment of Beeching? What were the rationales for and the impact of the 1961 White Paper, *The Financial and Economic Obligations of the Nationalised Industries,*[5] and the 1962 Transport Act? What factors influenced Beeching in formulating *The Reshaping of British Railways*? What did Beeching propose and achieve, and why were these so controversial?

I

On 15 March 1961 it was announced that Beeching was to replace the retiring Robertson as Chairman of the British Transport Commission (and its successor the BRB)[6] in June 1961. He had agreed a five-year contract after Marples arranged his secondment from ICI.[7] Marples had judged Beeching to possess the necessary skills and experience from his impressive reputation at ICI, and his valuable contribution to the Special Advisory Group and to the Ministerial Group on Modernisation. Beeching was reported to possess strong powers of analysis and persuasion, allied to a formidable intellect. Macmillan considered him 'one of the most able and fertile brains

[2] MT124/929, closed until 1996.
[3] MT124/1103, closed until 1996.
[4] MT132/51, closed until 1993, and MT132/89, closed until 1995.
[5] The Financial and Economic Obligations of the Nationalised Industries (*Parliamentary Papers* 1960-61, Cmnd. 1337, xxvii, 975).
[6] The British Railways Board became responsible for the railways only from 1 January 1963, and separate Boards were created for Docks, London Transport, and Inland Waterways with a Holding Company for any residual parts. Each board owned their assets and was responsible for its own capital debt.
[7] Gourvish, *British Railways*, p. 322.

in the industrial and commercial world'.[8] Those qualities were much required, because the extent of the challenge was considerable. Gourvish observed that like Robertson, Beeching 'came to the job with a reorganising mission, but there the resemblance ended'.[9] The two were very different in character and approach, and now for the first time the railways had a commercially-minded chairman with experience of industrial management. Beeching's appointment was itself controversial, but his investigation into the industry and the proposals based on it became even more so; as a result, he was and has been subjected to sustained public denigration.

Beeching's appointment was controversial for two reasons: his experience and his salary. Beeching had no direct experience of railway management; his reputation derived from a very different type of industrial concern – a private capital-intensive chemical company. Did that background adequately prepare him for leadership of a national railway system whose problems differed considerably from those of other industries, notably the size of operation, the dispersed nature of the business and the impact of government control?[10] It can be argued that this background provided more appropriate experience than those of the two previous chairmen, Hurcomb and Robertson. As a former civil servant and former army general, neither had previous experience of railway management either. Both had been widely regarded as competent administrators in their own fields, yet events had revealed that they lacked strategic vision, management flair, and the decisiveness required to successfully manage such a wide and diverse organisation as the BTC. In contrast, Beeching had

[8] Alistair Horne, *Macmillan 1957-1968* (London, 1989), p. 251.
[9] Gourvish, *British Railways*, p. 325.
[10] Hardy, *Beeching*, p. 104.

the advantage of experience not simply of business management, but additionally in the specific aspect of industrial re-organisation.

Beeching's salary of £24,000 pa was, as Gourvish states, 'wholly exceptional for a leader of a nationalised industry, dwarfing the £10,000 paid to Robertson and the Chairmen of the Coal and Electricity Boards, and indeed public sector salaries as a whole'.[11] It caused consternation in the House of Commons, with *The Times* reporting a 'storm of indignation' from the Labour opposition,[12] even though Marples reported that taxation would reduce the gross figure to £6,536 pa.[13] Widespread media coverage led to dissatisfaction amongst the railway workforce, especially when comparisons were made with the £2,700 pa paid to the General Secretary of the Transport Salaried Staffs' Association, and with the average railway clerks' salary of £630 pa.[14] It also had an adverse effect upon the regular rounds of wage bargaining, because during negotiations trades union representatives made frequent reference to Beeching's salary. Contemporary opinion was summed up with the description of '*salary de luxe*'.[15] Indeed, Beeching's salary represented a watershed in political attitudes towards remuneration of members of the boards of the nationalised industries. Previously these salaries had not been determined by any reference to the private sector, and included an expectation of a contribution to public service. This, as we have seen earlier, had made recruitment of talented and successful businessmen almost impossible. But in this instance Marples considered it worth matching

[11] Gourvish, *British Railways*, p. 322.
[12] *Times*, 16 March 1961.
[13] Marples, *HCDeb*, 636, c.1408, 15 March 1961.
[14] Malcolm Wallace, *Single or Return – the Official History of the Transport Salaried Staffs' Association* (London, 1996), p. 346.
[15] William Robson, *Nationalised Industry and Public Ownership* (London, 1962), p. 15.

the salary Beeching received from ICI. After extensive debate the Cabinet agreed on the basis that Beeching's appointment was necessary to attract a person of the right calibre, and it was not essential to preserve the principle of parity between boards of comparative importance.[16] It was considered *sui generis,* given the need for an unprecedented rescue operation – a decision in favour of special cases – later confirmed by a ministerial group reviewing salaries for members of nationalised industry boards.[17] Yet Beeching's salary remained an isolated example, perhaps in view of the controversy it aroused; and in any event the policy proved short-term, because Wilson's Labour government decided in 1964 on a restriction on salaries for board members.[18] The final comment on Beeching's salary should be reserved for Lord Lucas of Chilworth, who clearly agreed with Marples' thinking: 'if he is going to save £150m a year then £24,000 is not a bad bargain'.[19]

In the MOT his appointment was welcomed and seen as one of the three strands of policy designed to resolve the enduring financial and organisational problems of the railways. The other two, the 1961 White Paper and the 1962 Transport Act, imposed administrative and legal requirements, but without a new and powerful figure leading the BTC's management these were unlikely to be effective. It was hoped that Beeching could introduce the commercial acumen into railway management, something which SAG had shown to be crucially lacking. A non-commercial approach had been apparent since nationalisation, because the creation of a

[16] Cabinet minutes (C (60) 61st Conclusions),14 March 1961,T311/233.
[17] It was confirmed by the Cabinet Working Party on Incomes policy and salaries of Chairmen and Members of Nationalised Industry Boards, 14 August 1963, T311/233.
[18] Ashworth, *The State in Business*, p. 72: full-time board members were restricted to a range between £7,000 and £9,500 pa.
[19] Lucas of Chilworth, *HLDeb*, 249, c. 233, 1 May 1963.

public corporation had altered the structure and nature of management of the railway industry. A long history of arms-length regulation had been replaced with public ownership, in effect government control, and the traditional and fundamental management priority of profit-making for shareholders was succeeded by a public-service obligation.

At the same time the railways had been affected by challenges from the significant cultural, social and economic changes, from which even public ownership could not shield the industry. These changes included new and different life-style patterns which contributed to the decline in railway passenger traffic. Freight carryings had also significantly declined, owing, at least in part to the effects of industrial action on the railways and the consequent fall of confidence in their reliability. This was reinforced by another industrial trend – the widespread expansion of the consumer goods industry, which produced lighter and smaller products, able to be produced in more dispersed locations. At the same time there was a rapid decline in the heavy and basic industrial production. In addition, although energy consumption was greater than before, this was increasingly fuelled by gas and oil carried by pipeline, at the expense of coal carried by rail. These changes had become obvious in the early 1950s and accelerated during that decade, but the railway management's response was inadequate, with the result that by 1960 it had reached a financial crisis. This kept the railways at the forefront of activity in the MOT, and by 1960 there was firm intention to diagnose the root cause of the problems and take a determined approach to their resolution. The remedy from the BTC – massive investment under the Modernisation Plan had produced only very limited success and increased

the financial problems. As a result (and in common with other nationalised industries), it created ever-increasing demands on public spending. This heavy expenditure by the public corporations came under greater scrutiny, for nationalisation had made the industries 'necessarily accountable in a very open way for what they did and how they did it'.[20] Parliamentary questions and media publicity highlighted the inefficiency of these industries, fuelled by public opinion which perceived them as inefficient and dated.[21]

Marples and his senior advisers were fully aware of these changed conditions. They also possessed a wider perspective than the BTC and realised the growing and urgent need for a new frame of reference for the railways. Marples evidently had little confidence in the ability of the BTC to identify problems, or indeed even to subscribe to the view that fundamental change was needed. In addition, Marples' approach was consistent with the developments in Conservative industrial policy represented by a wider acceptance of corporatist ideas. The impact of this was increased state intervention at the micro-economic level of industrial management in response to the perceived need to engineer change in industry to promote its modernisation. For the railways, there was also the stimulus of the financial deficits, but Marples recognised that this was a symptom of a wider and more deep-rooted problem, the resolution of which was not straightforward and required fundamental change. Marples had set the scene for such change in January 1961, when during a debate in the Commons he stated that:

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[20] Foreman-Peck and Millward, *Public and Private Ownership of British Industry*, p. 301.
[21] This scrutiny was often highly detailed and localised. A specific example is the long questioning of Marples by the local MP on why the Newcastle-Liverpool expresses no longer stopped at Durham: *HCDeb*, 634, c. 1369, 14 February 1961.

The Government propose an entirely new organisational structure because our experience showed that the present structure is unsuitable. We believe that it is outmoded and has been overtaken by events. Our underlying purpose is to separate the tasks and operations of the various national transport undertakings.[22]

A further important issue was the relationship between the Chairman of the BTC, the Minister of Transport, and his department. With Robertson this had generally been cordial, but certainly not close, nor particularly effective in terms of developing a common approach between the BTC and MOT. Beeching's contribution to the SAG and MGM indicated that his thinking was much more in line with the MOT, and accordingly a more productive working relationship was anticipated. This was considered vital, given the expected extent of change to the railways and consequent need to handle its impact on public opinion effectively. The MOT was therefore concerned when without consultation, Beeching publicised a decision to impose central management on the railway workshops, because given the prospect of closures anything relating to the workshops was considered sensitive. Marples felt obliged to spell out to Beeching the implications of his actions, and to emphasise the need to work within parameters set by the Minister. The effect of this was to confirm the shift of authority from the BTC to the Minister, and to contribute towards increasing departmental authority over Beeching.[23]

Marples' expectation that Beeching would introduce a fresh, more dynamic and commercial approach to the management of the railways was soon fulfilled. Beeching made it clear that new and more innovative approaches were necessary to resolve its problems. The first signs of

[22] Marples, *HCDeb.* 633, col. 615, 30 January 1961.
[23] Serpell, MOT, 30 April 1962, MT87/113.

change came in April 1962 when he addressed the BTC Officers' Conference at York with the theme 'Organising the Railways as a Business'. His direct and novel approach surprised many of the delegates. He stated that the organisation was too lightly staffed at the top, and that most senior managers were trying to do far more than they could achieve. His solution to this problem of under-management at headquarters and in the regions was to recruit talent from other industries. He argued that the headquarters' commercial organisation had an outdated outlook and was ineffective, so he would introduce specialists in the financial and marketing spheres – a move which achieved considerable success. He also declared that railway management at every level was reactive, simply jumping from problem to problem, which precluded proper forward planning and the adoption of a constructive approach to future development.[24]

Beeching proved ready to question traditional thinking in management and operational processes, and to introduce new initiatives and outside expertise. This was shown clearly when he addressed the Institute of Directors in 1962.[25] The business community's perception of the railways was clear from the conference programme, which described him as 'the man with one of the biggest loads of industrial troubles on his shoulders'. Again Beeching was forthright, declaring to the 5,000 delegates that 'there was already far too much opinion with too little understanding of the railway's problems'. He stressed that the only real solution was a proper evaluation of the right role for the railways as part of the transport system as a whole – thinking which formed the basis of his Report.

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[24] Beeching to BTC Officers' Conference, York, 6 April 1962, AN18/10.
[25] Beeching to Annual Conference of the Institute of Directors, 31 October 1962, AN18/11.

II

We have seen that the need for change on the railways had been appreciated in the MOT for some time, where it was felt that the problems of transport could only be resolved by radical changes to their management philosophy, financial structure, and statutory framework.[26] By 1960 the financial position had deteriorated to such an extent that this change was considered urgent, and the government outlined its intentions in the White Paper, *Reorganisation of the Nationalised Transport Undertakings*. In it the financial difficulties were made clear:

> The railways are now in a grave financial plight. They are a long way short (by about £60m a year) of covering even their running costs. This is quite apart from the problem of meeting their interest charges, whether upon the price paid for the undertakings or upon the money since borrowed for modernisation and other purposes. These interest charges now total some £75m a year.[27]

In addition, the White Paper pointed out that 'the commercial ability of the railways is circumscribed by outmoded statutory obligations and restrictions on trading operations'.[28] It therefore proposed new arrangements for management of transport, which included the creation of the British Railways Board to replace the railway operations of the BTC.[29]

At the same time, concern with the BTC resonated in the Treasury, where the financial performance and costs of all of the nationalised industries had been under scrutiny. The pressures were not just the need to finance the substantial deficits, but the additional and growing demand for

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[26] Serpell (MOT) to Marples, 16 December 1960, MT124/566.
[27] Reorganisation of the National Transport Undertakings *(Parliamentary Papers* 1960-61, Cmnd. 1248, xxvii, 991), para. 6.
[28] Ibid., para. 10.
[29] Ibid., para. 14.

increased investment funds. These amounted to over £800m pa, and more than half came from the Exchequer.[30] Although the Treasury accepted that many of the investment proposals were desirable, these conflicted with other considerable pressures on public spending, notably the provision of social services and education. As a result Selwyn Lloyd as Chancellor of the Exchequer felt obliged in March 1961 to emphasise that 'collectively these demands were beyond what could be afforded'.[31] The combination of these pressures had led to a detailed examination of the nationalised industries undertaken by a group of officials under Sir Thomas Padmore, a Treasury Second Secretary. As might be expected from the Treasury, they assumed that organisational issues were secondary to the need to establish clear economic and financial objectives.[32] The result was an attempt to clarify and codify their financial position in the 1961 White Paper, *The Financial and Economic Obligations of the Nationalised Industries.*

Implicit in this document was the expectation that the public corporations would adopt a more commercial stance in pricing and investment. Furthermore, the acceptance of a public service obligation by the nationalised industries did not release them from the need for financial solvency:

> Although the industries have obligations of a national and non-commercial kind, they are not, and ought not, to be regarded as social services absolved from economic and commercial justification.[33]

They were now expected to pay their way taking one year with another over a five year period, and to generate reserves to protect against such

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[30] Financial and Economic Obligations of the Nationalised Industries, para. 23.
[31] Cabinet minute C (61) 47, 27 March 1961, PREM11/3440.
[32] Gourvish, *British Railways*, p. 307.
[33] Financial and Economic Obligations of the Nationalised Industries, para. 2.

contingencies as premature obsolescence.[34] This task was to prove beyond the railways, because the industry was simply unable to generate enough revenue even to cover replacement costs, producing heavy dependency on the Treasury.

The MOT also wished to establish arrangements which would avoid repetition of the problems arising from the BTC's management of its investment programme, with its lack of even basic appraisal of costs and benefits accruing to investments. This prompted the MOT and Treasury to require more effective monitoring of capital expenditure. As a result arrangements for investment reviews were codified, the minister was to be informed of general plans for the next five years, and each year was to fix an upper limit on the amount spent on investment for the following two years.[35]

A further important modification sought to resolve the long-standing issue of conflict between minister and industry on issues such as pricing, by creating a new and obligatory process. The chairmen of the nationalised industries' boards were now required to ascertain the views of the minister before any proposed alteration to charges.[36] The boards did, though, receive a safeguard, in that a revision of financial targets was allowed if subsequent ministerial action affected their ability to meet them.

These financial targets varied according to the particular circumstances of each nationalised industry. That for the Coal Board was to break even in a five-year period, whereas in contrast the railways were required to break even as soon as possible. This divergence was owing to recognition that the railways faced problems beyond short-term resolution

[34] Ibid., para. 19.
[35] Ibid., para. 24.
[36] Ibid., para. 31.

and so not easily tied to a particular time-frame. A similar policy applied to unprofitable activities carried out at the request of government, where the board could as a consequence seek an adjustment to its financial objectives. The effect of these objectives was therefore to shift the main emphasis of the nationalised industries management from day-to-day running to financial targets. The role of the Treasury remained essentially unchanged: it was required to approve capital expenditure programmes, the borrowing to meet them, and the authorisation of payments to meet continuous deficits.

The 1961 White Paper was the first real attempt to formulate a clear policy for the financial performance of the nationalised industries. However, the guidance was essentially about monetary requirements, and it soon became clear that calculations were complex. Despite the requirements, the performance of the industries showed little improvement; after all they continued to face the same problems, and the same financial constraints endured. This position was understood by the Cabinet, where it was accepted that despite the changes anticipated from Beeching's appointment, the railways (like the other nationalised industries) would be required to impose higher charges for their services. This was generally welcomed by a Cabinet concerned with the level of public spending, for it represented a shift in expenditure from the Treasury to the consumer. [37] The Cabinet further hoped that these changes would reduce the need for ministerial intervention.[38]

The third strand of policy was the 1962 Transport Act, which included measures specifically applying to the railways. This Act was substantially

[37] Cabinet minute (C (61) 47), 27 March 1961, PREM11/3440.
[38] Cabinet minute (C (61) 38), 20 March 1961, PREM11/3440.

based on the 1960 White Paper, *Reorganisation of the National Transport Undertakings*. Gourvish criticises the MOT and Cabinet for failing to take account of railway opinion when drafting this paper.[39] While strictly true, in reality the verdict is overstated, because there had been considerable debate, discussion and correspondence on financial issues between the MOT and the BTC. In any event, as the conclusions of the various investigations had revealed, the BTC had shown a remarkable lack of perception and ability to understand that fundamental changes were needed, so it could hardly be expected to contribute to a major restructuring exercise. Other 'railway' input was hardly likely to be constructive either, for the unions frequently demonstrated a reactionary stance. Macmillan found when dealing with the NUR that they 'wanted to continue to build wagons which are not wanted and steam locomotives which are not required'.[40]

Although the content of the 1962 Transport Act was dominated by MOT thinking, this did not preclude some wider consultation. In April 1961 representatives of the General Council of the Trades Union Congress (TUC), met with Marples and officials from the Ministry of Transport to consider the implications of the proposals. However, this proved unhelpful, for the main concern of the TUC delegation was not the proposals for changes in the BR management, but the question of co-ordination of wage bargaining in the five undertakings set to replace the BTC's executives.

Although the BTC did not have any major input to the drafting of the 1962 Transport Act, it did assist with a number of the details. This was achieved through a joint MOT-BTC working party on the Reorganisation of

[39] Gourvish, *British Railways*, p. 319.
[40] Horne, *Macmillan 1957-86*, p. 251.

Nationalised Transport, with the acronym RENT. This wide-ranging exercise was conducted on two levels with the higher (steering group) chaired by David Serpell.[41] While it may have been uncomfortable for members of the BTC to participate in RENT, the correspondence found in the various MOT files was courteous and detailed,[42] and hardly supports Gourvish's view that this was a 'vexatious and comical interlude in the history of the nationalised railways'.[43]

A significant feature of the 1962 Act concerned the extent of ministerial control by introducing new and far-reaching powers for the Minister of Transport. In order to avoid repetition of the waste of public funds experienced under the Modernisation Plan, the Treasury sought greater control over investment. In addition, there was a realisation that railway modernisation had long-term implications not just for BR but also for the rolling-stock manufacturing industry. Both suffered from excess capacity which required urgent remedial action, with the potential for creating unemployment problems in certain areas. In view of these concerns the Act introduced greater control not only over railway spending plans, but also on what was produced, where, and how. The BTC made a strong protest regarding this as a political invasion of its supervisory and commercial freedom, but the MOT justified the provision as necessary economic management in the wider national interest.[44] The effect was that the Minister could approve proposals as they stood, or modify them in consultation with management. Given the experience of waste under the Modernisation Plan

[41] Deputy Secretary at the MOT.
[42] In particular MT132/38.
[43] Gourvish, *British Railways*, p. 321.
[44] BTC to MOT Railways 'B' Division, August 1962, MT87/9.

and the pressures on public spending, it can be legitimately argued that the government had no other option.

One effort to generate commercial awareness was the modification of the operational status of the existing six regional bodies, turning them into railway-only operations. A Scottish Region was retained, but this was for political expediency rather than operational benefits, given that the main traffic flows in Scotland were actually those to and from England on the west and east coast routes. SAG had advised retention of this region on the basis that financial assistance would always be required there, and 'it would please the Scots'![45]

While the 1962 Transport Act reinforced ministerial control it also granted some commercial freedoms, in accordance with the 1961 White Paper recommendation that 'in the new circumstances it would not be reasonable to leave the railways subject to out of date restrictions on their commercial activities'.[46] This view, which had emerged from the MOT's deliberations with the BTC,[47] gave the BRB authority to fix certain freight charges and abolished restrictions imposed by the common carrier obligation. This second change was considered necessary if the railways were to compete effectively with the roads; and as the editor of the *Railway Gazette* recognised, the restrictions were 'ridiculous in modern times'.[48] The MOT did contemplate the radical action of abolishing the Transport Tribunal entirely, but political expediency prevailed, and regulative control continued.

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[45] SAG Report, September 1960, para. 77, AN13/2713.
[46] Reorganisation of the Nationalised Transport Undertakings, para. 55.
[47] MOT-BTC Working party on the Transport Bill, WP (61) 22, 10 March 1961, MT124/234.
[48] *Railway Gazette*, 10 August 1962, p. 149.

The result was that BRB remained obliged to refer proposed increases to passenger fares to the Transport Tribunal.[49] [50]

In addition to charges, a long-running problem was railway losses on the provision of uneconomic services for social reason. As already shown, the issue was identified in the 1961 White Paper,[51] but it had wider implications both for the other nationalised industries, and for the railways. While the government proposed to formulate a wider policy in due course, in the interim, 'railway losses on any such services will in practice be covered by the contributions proposed from public funds'. [52]

However, the process of determining social cost and benefit became an area of controversy as the programme of line closures accelerated. As Gourvish pointed out (when referring to the early 1950s), 'public enthusiasm for its railway, however unprofitable, was an important factor to be considered, particularly since consumers were supported by an extensive appeals machinery'.[53] In a number of cases this public zeal to maintain the railway created two problems: postponement or even cancellation of closure which frustrated the cost-cutting exercise, and lines that remained open on social grounds contributed to the wider problem of social cost.
Whenever there was concerted and determined opposition to closure proposals, the appeals machinery was protracted, as exemplified in the attempt to close the Westerham to Dunton Green branch in Kent, where

[49] Gingell, Railways 'C' Division, 30 May 1961, MT124/313.
[50] The Tribunal comprised: a president, a 'transport member' and a 'commercial member' and was required to conduct a public enquiry whenever an application was received to alter charges. Gourvish, *British Railways*, p. 100.
[51] Reorganisation of the Nationalised Transport Undertakings, para. 50.
[52] Ibid., para. 50.
[53] Gourvish, *British Railways*, p. 119.

Marples and the BTC were frustrated by delays to the closure of a loss-making branch.

In an attempt to reduce these delays, the 1962 Transport Act introduced a significant change to the closure process. Before the Act, appeals against closure were heard by the relevant Transport Users' Consultative Committee (TUCC),[54] a body which made recommendations to the Minister of Transport. The MOT calculated that between 1950 and 1962 these TUCCs had agreed to the withdrawal of 340 lines, saving a total of £6m pa.[55] After the 1962 Act, the TUCC was still required to advertise proposed changes, and to receive evidence and objections, but it was only required to advise the Minister on the hardship which might result from the closure, after taking account of alternative transport facilities. The Minister was then able to decide and 'give to the board concerned such direction as he thinks fit with respect to the matter dealt with in the recommendation'.[56] In this the Minister was expected to take due account of any social argument for maintaining railway services where public transport was essential to the community, and where no satisfactory alternative was available. While this was designed to protect the interests of the community, the criteria used to determine the extent of social costs and benefits was considered to favour BR closure proposals, rather than retention of services. Gourvish explains why: there was little incentive for the regions to provide carefully formulated data, for the new procedures established by the 1962 Transport Act placed no obligation on British Railways to publish any financial information in

[54] The TUCCs were instituted under the 1947 Transport Act.
[55] MOT to Inter-departmental working party, 1962, MT124/929.
[56] *Transport Act 1962*, para. 57 (6).

support of its proposals.[57] This resulted in much controversy in a number of closure proposals.

Public opinion on line and service closures was mixed. The problem was to some extent summarised in *The Guardian*, where the editor declared that 'any form of social accounting was not an easy practice to undertake, but at least it should be attempted'.[58] Furthermore, the BTC had long argued that the funding of unremunerative services – those which would have closed without government intervention – was 'a costly and unjustified inheritance which no other commercial undertaking was expected to bear, and that financial recompense should be given'.[59] The Select Committee Report of 1960 effectively accepted this argument, by recommending that 'uneconomic services which the railways were required to continue on the grounds of national economy or of social need should be met by specific grants from public funds'.[60] However, despite reference to proposed policy on the issue in both the 1961 White Paper and the 1962 Transport Act, it was not fully applied until 1968. Even so for the first time the nationalised industries operated with comprehensive financial guidelines as embodied in the 1961 White Paper. In addition the 1962 Transport Act further clarified the financial obligations of the railways, and indicated how they were to be managed.

III

The publication of *The Reshaping of British Railways* on 25 March 1963 resulted in varied views: Pollins considers that 'it aimed to clarify the

[57] Gourvish, *British Railways*, p. 436.
[58] *Guardian*, 25 October 1962.
[59] *BTC Annual Report and Accounts 1955*, para. 74. p. 117.
[60] Report of the Select Committee 1960, para. 422-427, CAB134/1434.

principal characteristics of rail transport and to base the board's activities on them'.[61] Bonavia concluded that 'the report was written with a clarity that made its logic seem irresistible'.[62] Hardy considered it a constructive document, but also concludes that 'many people saw the Report as a personal attack of pure butchery on the railways of Great Britain in general and those in their own area in particular'.[63] Gourvish argues that while the Report was very much identified with Beeching himself, 'much of it rested on studies and initiatives rooted in the 1950s', including the Modernisation Plan of 1955 and its re-appraisal in 1959.[64] Plainly Beeching was aware of these previous initiatives from his own membership of the SAG and MGM. However, to concentrate on the extent of the influence of previous works is to miss the point. It was Beeching's approach rather than his conclusions which were fundamentally different. Many of his recommendations were in line with previous thinking, but Beeching moved the debate forward with clarity of analysis which placed the railways in a national transport context, and which considered the social consequences of closures. Arguably, as important as his identification of solutions, was a readiness and ability to act quickly upon the report's recommendations. All of this was required urgently, because after his appointment the scale of the railway's problems was again demonstrated by the publication of financial results which were worse than ever before. In 1961 the loss was £86·4m, which with the addition of interest charges rose to £118·4m, while net revenue had fallen by £10·8m.[65] In

[61] Pollins, *Britain's Railways*, p. 176.
[62] Bonavia, *British Rail the First 25 Years*, p. 119.
[63] Hardy, *Beeching*, p. 69.
[64] Gourvish, *British Railways*, p. 402. Beeching's hand-written first draft of the Report is lodged in the National Archives at Kew, AN13/3.
[65] Confidential Report to BRB, December 1962, AN16/12.

addition to economic factors, the BTC now belatedly identified social change as one of the major contributors to this performance. A 3% fall in passenger-ticket receipts was deemed to have been caused not just by fare increases but by changed public habits, such as watching television which reduced weekend and evening travel. Non-passenger travel had also declined, with freight receipts down by 4% and mineral traffic by 14%.[66] This decline was not counterbalanced by any revenue improvements from the expensive investment in technical equipment. Even a reduction in staff numbers could not stop the increased working expenses of £7·4m. These figures yet again confirmed that only an extensive programme of closures could enable the railways to become financially viable.

It was the response to this need that resulted in the main and enduring criticism of Beeching: his part in planning and implementing line and station closures. Yet this issue – the size and extent of the network – had been a recurrent feature of government thinking for some time. As early even as 1949 the Cabinet Investment Programmes Committee had raised the possibility of financial savings through closure of more branch lines.[67] Boyd-Carpenter related that the MOT had recognised a need for rationalisation and closures in 1955, when it was argued that heavy expenditure on modernising some routes had to be balanced by the closing of other lines which in the age of the motor car could never pay their way.[68] That view resurfaced in early 1959, when it was concluded that there was no prospect of the railways being financially viable at the size anticipated in the

[66] *BTC Annual Report and Accounts 1962.*
[67] Cabinet Investment Programmes Committee, IPC (49) 3, 12 May 1949, CAB134/212.
[68] Boyd-Carpenter, *Way of Life*, p.113.

Modernisation Plan.[69] As Gourvish points out, it had also been implicit in the Re-appraisal of the Modernisation Plan and in the London Midland Region Passenger Plan,[70] although it should be recognised that both of these initiatives were the result of pressure from government and from the MGM respectively. And, Macmillan, after acceptance of the Guillebaud Report, had publicly stated to the Commons in 1960 that:

> The railway must be of a size and pattern suited to modern conditions and prospects. Those working in the industry must accept this as the only way of bringing about conditions in which a fair reward not only in terms of money but with satisfaction with their job can be secured.[71]

This view was reinforced in the 1960 White Paper, which stated that 'sweeping changes will be needed' and 'a railway system of the right size was an essential element of a modern transport system'.[72] So for a good number of years before the *Reshaping Report*, it had been accepted within government that a reduced railway network was the only way that costs could be effectively controlled. Financial investigations by the MOT concluded that greater efficiency in using labour and fuel would yield only marginal savings, and that a reduction of operating expenses on the required scale could be achieved only by elimination of complete lines, services, stations and depots.[73] The MOT also thought that closure of uneconomic services should be speeded up to a far greater extent than previously contemplated, a conclusion also reached by the SAG. Yet the eleven TUCCs admitted that they could deal with considerably more cases

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[69] MOT, The future position of the railways, 16 January 1959, MT65/357.
[70] Gourvish, *British Railways*, p. 402.
[71] Macmillan to Commons, *HCDeb*, 619, c. 643, 10 March 1960.
[72] Reorganisation of the Nationalised Transport Undertakings, paras. 4, 5.
[73] Venning to Wardale, 4 January 1960, MT65/360.

than those put forward.[74] This lack of progress is most apparent in line closures. Appendix 2 (p. 341) shows that in 1961 the index of route miles compared with 1948 remained at 94. More progress had been made in the closure of stations, as detailed in Appendix 3 (p. 342), with the index of change showing a fall to 65 by 1962; but thereafter progress became markedly more rapid as Beeching's proposals continued to be implemented.

The MOT had also recognised the impact of the inexorable growth of road transport. An attempt was made to quantify the benefit of transfers of road traffic to rail, but its analysis of 'Current Trends and Future Traffics' hardly justified the argument for large-scale investment in the railways. It concluded that even if the railways increased their goods traffic by 10% at the expense of roads, this would lead to a reduction in road traffic of only 2%. Given the much higher annual increase in road traffic, this was considered insignificant.[75] Furthermore, continued decline in freight revenue was expected, given that by 1963 road transport accounted for two-thirds of inland goods traffic compared to less than half ten years before.[76] This continued decline of traditional railway business was instrumental in the MOT again concluding that a coherent long-term plan for investment was needed.[77] In essence what the MOT was seeking became the foundation for the *Reshaping Report*; in other words, much of what Beeching was seeking to achieve, was influenced by the MOT and the MGM.

Before Beeching's appointment it had appeared that the BTC were unwilling to reduce the system to an economic size. Their prevailing wisdom

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[74] SAG, 45th meeting, 17 August 1960, MT132/88.
[75] MOT Current Trends and Future Traffics, 3 November 1961, MT65/360.
[76] MOT Statistics Division, minute S28/107, 15 May 1963, MT65/422.
[77] MOT Control of BTC capital investment, 5 July 1962, MT132/9.

was that the network would remain at essentially its 1960 size, albeit with modifications to operation, using modernised equipment. *Reshaping* questioned that view, and emphasised the existing MOT view that far-reaching changes were required in the size of the railway network. Neither, however, went so far as Beeching in grasping the extent of closures needed to achieve financial viability.

IV

In order to understand more fully why Beeching's proposals were, and have remained so controversial, it is necessary to consider a series of associated factors. The first is the nature of the evidence base from which he identified the salient issues underlying his proposals. Soon after his appointment Beeching instituted a new analysis of the extent and nature of the railway's problems, using information collected in a widespread survey of routes and traffic. These statistics took just over a year to collect, and related to the railway's performance in 1961. The *Reshaping Report* accepts that although the figures were not completely up to date, nor highly accurate, they were approximately correct, and formed a sound basis for decision making.[78]

Furthermore, they constituted the first-ever comprehensive analysis of railway costs.[79] However, the survey did not cover every aspect of operations, with a specific weakness relating to calculations of the revenue accruing to particular locations. Fares and charges were allocated to the point of purchase and departure, with no allowance given to the ultimate

[78] *Reshaping of British Railways*, p. 5 and p. 11.
[79] The MGM had concluded that the BTC knew 'lamentably little' about its traffic costs: 16 August 1960, MT124/102.

receiving destination of the passenger or freight. Despite this statistical weakness, the findings of the survey were extensively used to justify the proposals in *The Reshaping of British Railways.* As *Reshaping* pointed out, 'there had never before been any systematic assembly of a basis of information upon which planning could be founded, and without which the proper role of the railways in the transport system as a whole could not be determined'.[80]

Marples had stressed to Beeching that it would not be easy to get *Reshaping* accepted by Parliament and the country unless, in addition to the programme of closures, it included new and constructive ideas, demonstrated a sound economic basis, and offered the prospect of financial viability.[81] Even so, the media response to the survey, published earlier than *Reshaping,* was received by the press with general approval. However, a note of warning about its implications was given by the *Financial Times* 'sadly, relentlessly the BTC is conditioning the minds of the public to accept large scale closures.'[82] The *Guardian* applauding the fact that 'the railways had at last taken a slow look at themselves and that drastic pruning of the antiquated relics of nineteenth century railway development was inevitable, if only to staunch the Exchequer's wounds'.[83]

As to *Reshaping* itself, the journal *Modern Railways* expressed 'surprise at the extent of media response given the circulation of extensive information on the issue during the past year', allied to a lament 'that the

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[80] *Reshaping of British Railways*, p. 1.
[81] Marples to Beeching, 19 December 1962, MT124/928.
[82] *Financial Times*, 12 September 1962.
[83] *Guardian*, 12 December 1962.

Modernisation Plan had not been so well researched'.[84] A *Daily Mail* survey found that the majority of those questioned considered *Reshaping* to be on the right lines with most people agreeing that uneconomic parts of the rail network should be closed. *The Railway Gazette* agreed, and reported that with some reservations the response of the press and the public reaction had been favourable. *The Guardian* asked 'what alternatives were there to Beeching'?[85] *The Times* argued that it would bring some semblance of sense to the country's transport system, but asked 'can Beeching do it'?[86]

In contrast to the national press, the view expressed by one regional newspaper was very different, and highlighted the vulnerability felt in particular areas from the closure of railway facilities and the subsequent loss of jobs, notably at the Darlington railway works. *The Northern Echo* used highly emotive language: it commented on 'where the axe falls', dubbed Beeching as 'the surgeon', described closures as 'stations marked for death', and reflected on the 'threat to 2,500 North-East jobs'.[87]

Perhaps predictably, the Road Haulage Association welcomed the *Reshaping* proposals to 'put the railways' house in order'. However, the far-reaching proposals generated great hostility from certain sections of public opinion, and particularly the railway unions. The Transport Salaried Staffs' Association predicted that its implementation would cause chaos in the industry. Unsurprisingly, the NUR questioned *Reshaping's* validity, and declared that it could not make the railways financially viable. Gourvish reports another perspective: 'academic critics pronounced themselves

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[84] *Modern Railways*, 17 (May, 1963), p. 289.
[85] *Guardian*, 1 May 1963.
[86] *Times*, June 27 1963.
[87] *Northern Echo*, 28 March 1963.

dissatisfied with the inadequacy of the data-base provided, and drew attention to the fact that the Board's references to "direct" and "indirect" costs were both inconsistent and misleading, since neither could be equated with "fixed" and "variable" costs as an economist would define them'.[88]

The Reshaping of British Railways came before the House of Commons in April 1963. After debate about its social consequences, it received parliamentary endorsement, and shortly afterwards the BRB began to implement its recommendations. Opposition to the proposals contained in *Reshaping* came from the Labour party, which organised a 'transport rally' in London on 25 June 1963, at which the report was attacked as a folly. The Labour party criticised it for aiming to have the railways directed solely on the basis of profit considerations, and called for a major survey of the nation's transport needs. However, the party's rhetoric was not matched in practice: on its return to government in 1964 it initially continued the policy of closures. Indeed, as Appendices 2 and 3 indicate,[89] for at least two years it did so at an increased rate.

Given such critical public comment, once the complete implications of *Reshaping* were fully appreciated, it is hardly surprising that some sections of the public developed resentment towards the proposals. Gourvish argues that much of the criticism emanated from the publication of a long list of service reductions and station closures, which served to stiffen public resistance.[90] White agrees, arguing that this notification meant that 'resistance to closure proposals increased and efforts to prevent their implementation became more widespread. Protests even came from those

[88] Gourvish, *British Railways*, p. 407.
[89] See Appendices 2, 3, pp. 335, 336.
[90] Gourvish, *British Railways*, p. 413.

who had deserted the threatened lines and thus hastened their closure'.[91] Beeching had correctly predicted that line closures would be the most controversial aspect, because many would believe, often irrationally, that large areas of the country would be isolated from any form of public transport.[92] However, in some cases (though certainly not all), it is clear that closure made little difference to mobility and life-style of those affected and 'for most people the line rapidly became a forgotten railway'.[93]

While *Reshaping* recommended many station closures, in itself this was hardly new. As Patmore showed in his geographical survey, the closure of lines and services had been a feature of railway operations almost since inception.[94] In April 1963 the MOT calculated that from 1948 to 1962 the number of stations losing passenger services was 2,350,[95] and 1,850 were closed completely.[96] It was widely accepted that the railway system could not continue in its existing form, with its high cost base, and the number of closures was already increasing during 1962. But *Reshaping* accelerated the trend, because it changed the previous piecemeal approach into a coherent and consistent strategy.

Something which magnified denigration of Beeching was that his Report listed numerous routes for which closure had already been agreed, or for which the pre-closure consultation had already begun. Indeed 234 stations listed had already been closed by the time of publication. In other

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[91] White, *Forgotten Railways*, p. 23.
[92] Beeching to Marples, 24 August 1962, MT87/113.
[93] White, *Forgotten Railways, p. 23.*
[94] J. A. Patmore, 'The British Railways network in the Beeching era', *Transactions of the Institute of British Geographers*, 34 (June 1964), pp. 159-173.
[95] In Appendix 2, p. 341, it has been calculated as 2,339, the difference is likely to be through 'rounding up' in the MOT.
[96] MOT Statistics, April 1963, MT65/422.

words, the Report created an exaggerated impression of the number of closures it was itself proposing. In a number of cases opposition was non-existent or insubstantial, such as the closure of the twenty-seven mile long Kingham-Cheltenham route, where it was reported that passenger traffic using the services had been almost nil.[97] On the other hand there were also cases where opposition was well-organised. The Gatesacre to Hunt's Cross and Liverpool Central service aroused such concerted opposition from the communities which it served that it took nine years before closure.[98]

Nevertheless, *Reshaping* did in general terms propose a rapid number of closures, and as such it produced a very powerful response from certain sections of the public with the effect that Beeching became more than simply a public figure managing British Railways; he was regarded as responsible for the wholesale withdrawal of services and infrastructure. His name became synonymous with protest, and with rituals marking the 'final trains' that took place around Britain in the 1960s.[99] In Countesthorpe, a road leading to the defunct railway station was even named 'Beeching Close'.[100] Some of these line closures were resisted, and demonstrations against them were at times heated. Yet much of this criticism is unfair, for as Gourvish notes Beeching's successor, Stanley Raymond,[101] presided over more closures, in terms of numbers, route miles, and estimated savings. Moreover, Beeching arguably presided over the most detailed and exhaustive re-consideration of specific closure proposals. As Gourvish noted, 'if there was a moratorium [on closures] it surely came in 1963 as a

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[97] *Railway Magazine* (December, 1962), p. 871.
[98] Hardy, *Beeching*, p. 70.
[99] Loft, *Re-appraisal and reshaping*, p. 71.
[100] *Railway Magazine* (December, 1962), p. 875.
[101] Raymond was Chairman of the BRB from 1 June 1965 to 31 December 1967.

result of TUCC/Ministerial procedure. Of the 173 closure proposals published by British Rail from 4 June to 31 December 1963 only two came to fruition by the end of the year'.[102] Nevertheless, in Hardy's words 'in the eyes of thousands of railwaymen Beeching stood condemned'.[103] They were bitter because in their view he had sold them out to the all-powerful road interest, and they were unable or unwilling to accept the need for fundamental change.

Beeching continues to suffer criticism from general historians, often expressing an emotional response more than specialist understanding. A typical example is Lamb's debatable conclusion that under Beeching 'public transport in rural areas was slashed to the bone'.[104] Sandbrook, who uses this same quotation, observes 'that in the sixties train-spotting began to lose its allure thanks to Dr Beeching's ruthless cuts as thousands of rural stations had been shut down and much of the fun had evidently gone out of the spotting game'.[105] Yet although the hobby did decline, this was not solely due to station closures. Rather, the reasons lay in wider changes, including altered living patterns and the rapid replacement of the spotters' beloved steam engines with less popular diesel locomotives. Horne similarly concentrates on the emotive: 'it all meant a vast change in the quality of British life, with crumbling railway embankments shorn of rails and sleepers, with overcrowded roads epitomising the disappearance of the heritage of the Industrial Revolution that had made Britain great'.[106]

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[102] Gourvish, *British Railways*, p. 440.
[103] Hardy, *Beeching*, p. 106.
[104] Lamb, *The Macmillan Years*.
[105] Sandbrook, *Never Had It So Good*, p. 392.
[106] Horne, *Macmillan 1957-86*, p. 252.

The specialist literature offers a very different interpretation, particularly when considering the most enduring complaint against Beeching: his contribution to the programme of line and station closures. Loft concludes that *Reshaping* was important not for its financial calculations, but in presenting the closure programmes as a plan explained for the public rather than the expert.[107] Bonavia described it as written with an irresistible logic.[108] For Hardy it was a constructive document that prescribed the strong medicine essential for the railway's survival.[109]

V

A full understanding of the railways during the Beeching period is not complete without examination both of how BR approached its closure programme, and the impact of this action. It is accepted that large-scale closures were necessary for BR to reduce its financial deficit, but a vital question in assessing the success of this policy is: were the right routes chosen for closure, and was the process managed effectively? Were some potentially profitable lines closed in railway management's hurried attempt at re-appraisal? Gourvish accepts that there was a closure mentality in regional railway staff, at the expense of all other considerations.[110] White argues that the railway authorities 'seemed bent not only on reducing the system to as small a mileage as possible, but on ridding whole regions of any memory of

[107] Loft, 'Re-appraisal and reshaping', p. 85.
[108] Bonavia, *British Rail the First 25 Years*, p. 118.
[109] Hardy, *Beeching*, p. 69.
[110] Gourvish, *British Railways*, p. 413.

the railway'.[111] Were there other alternatives to closure? In short – was this closure programme itself another example of questionable management?

In an attempt to answer these questions, an appropriate case study will be used: the Stainmore route from Darlington to Penrith via Barnard Castle and Kirby Stephen, which was closed on 20 January 1962. Although this resulted from a decision taken before publication of *Reshaping*, it does assist understanding of the approach used on closures. The decision on closure had been taken in 1960 in an attempt to rationalise cross-country routes as part of the hurried re-appraisal of the Modernisation Plan. It was part of a proposed closure of all lateral routes between Carlisle and Newcastle to the north, and Lancaster and Skipton to the south. (It included the plan to close the Settle to Carlisle line, although that survived after a long and ferocious battle).[112] The Stainmore route was, however an unusual candidate for closure because it was not a branch line but a 42-mile trunk route linking the population centres of the north-east and north-west. It was also a major freight artery in an area with a poor road system, and it was accepted that closure would impose great hardship on a number of people.[113] BR justified the decision as a means to save substantially on costs; yet Allan Stobbs contends that the line generated substantial traffic, and in reality was not loss-making. Rather, the deficits were created by the actions of the operating manager during the campaign from 1958 to close the line.[114] Examination of the BR accounts submitted to the two TUCCs (the NE and NW) supports this view that the line was not run economically. The

[111] White, *Forgotten Railways*, p. 23.
[112] *Review of the Modernisation Plan*, 1960, MT115/77.
[113] MOT, Unremunerative services, 19 July 1960, MT115/254.
[114] Allan Stobbs, *Memories of the LNER* (Penrith, 1989), p. 70.

operating policy was wasteful, and the timing and frequency of passenger train services was unlikely to attract passengers. An example was the last train from Darlington, which terminated at its destination, Kirby Stephen. The unusual step was taken of leaving the train there and returning the crew home to Darlington by taxi, rather than run a return service to connect with the popular overnight service to London.[115]

As part of a general complaint to Marples that BR had been responsible for several recent closures because of its own gross financial mistakes, one MP, Colonel Sir Richard Glynn, made an issue of this Stainmore route. BR estimated the loss of revenue from the line at £2,463 pa, but Glynn argued that the correct figure was actually £104,000.[116] But the TUCC procedures did not allow for any questioning of BR calculations, even though in many instances of closures these were strongly disputed. In addition, all freight was withdrawn from the Stainmore route from 1960, and diverted along another – which was 80 miles longer. Although this may have been an instance of BR's forward thinking, alternatively it may have been part of a strategy to support closure. A further development was that a local business (one of two which together dispatched some 2,500 tons of minerals each week) offered to rent the line from BR, believing that it could generate a profit. Yet this offer was refused, ostensibly on the basis that closure and immediate lifting of track could yield substantial scrap value. After a campaign of strong and sustained opposition to the closure, the two local TUCCs recommended a deferment of closure for 18 months to allow for further investigations. But this was not accepted by the BTC, and the

[115] Unremunerative services, North East Region, MT115/254.
[116] Glynn to Marples, 24 May 1963, MT65/422.

recommendations were overturned by the central TUCC and endorsed by the Minister.[117]

The costly manner by which the Stainmore line was worked supplies evidence for the view that there was prodigious waste throughout the national network. St John Thomas argues that in operating the railways there were numerous opportunities for economies, but that 'management perceived no middle way between full Victorian paraphernalia and closure'.[118] It was not prepared to consider such alternatives as the light-railway concept adopted on a number of lines today. This was widely used outside Britain, it had long been extolled by railway enthusiasts, and even *The Economist* accepted that it had potential – noting that 'railway management appeared unable to think beyond main-line terms using main-line methods'.[119] Even Beeching did not consider this light-railway alternative, with *Reshaping* raising, but then peremptorily dismissing the idea of rail buses on the basis that they were more expensive than the road equivalent.[120]

This view of short-sighted management even under Beeching's regime is supported by other evidence. MOT files show that on lines under review for closure BR adopted a policy which prohibited the issue of any reduced fares without permission from Headquarters – an approach clearly designed to reduce the attractiveness of rail travel. No credit was given to stations which sold few tickets yet received passengers or freight, a situation

[117] MOT minute RIW 3/6/013, 2 February 1961, MT115/254.
[118] David St John Thomas, *The Rural Transport Problem* (Plymouth, 1963).
[119] *Economist*, July 4 1964.
[120] *Reshaping*, p.18.

relevant to many terminal branch lines.[121] The Stainmore example of reduced frequency and convenience of services as a means to precipitate closure was used elsewhere. For example, on the Bristol-Portishead line which came under review in 1962, BR cancelled all evening, mid-day and Sunday services.[122] A rush-hour provision remained, but was undermined by the lack of convenience from these restrictions, with the result that the line closed to passengers in September 1964.

These management and financial issues were important, because the whole purpose of closures and indeed *Reshaping* was to generate cost savings while at the same time maximise revenue from the remaining parts of the system. Yet this goal of reducing the railway network to a 'profitable core'[123] proved elusive. In part this was because the extent of cost savings from closures was highly contentious and rarely straightforward, as the Statistics Division of the MOT found when it attempted to quantify the likely impact of Beeching's proposals. It proved almost impossible to make accurate estimates of savings, because of the interdependence of operation between the various parts of the railway system. Furthermore, past line and station closures had produced far from encouraging financial savings, indeed they generally proved to be disappointingly small. No back checks had ever been made to assess how far projected savings could be substantiated. A further constraint on the financial benefits from new closures was the very fact of earlier closures: these had been applied to lines and services where savings were likely to be most substantial and

[121] BRB Statistics of rail closures, 26 February 1965, MT65/425.
[122] *Modern Railways*, 15 (April, 1962), p. 217.
[123] White, *Forgotten Railways*, p. 90.

which caused the least risk to revenue.[124] The effectiveness of the Beeching approach to closure must therefore be measured not only on terms of cost reductions, but also in revenue reductions. While the policy was undoubtedly successful in terms of the former, any assessment must also take account of the impact of revenue losses from the reduced feeder services to the remaining parts of the system.

The programme of line closures had a further financial implication: the extent and cost of subsidies for the provision of replacement bus services. This issue was controversial and had a long history. Churchill had vetoed any such expenditure in 1952 on political grounds. Later, in 1956, Robertson had clarified the whole question with this statement:

> It is essential that the country should make up its mind whether public transport should be run as a commercial enterprise, self-supporting and financially free to run its affairs as any company under private ownership: or, on the other hand, whether it is to be regarded as a service, bound to minister to every want of the community however inconvenient that might be. That mentality would mean subsidy from taxation.[125]

Despite the precision of this analysis the issue was not pursued, probably owing to other pressures, notably implementation of the Modernisation Plan. However, by 1960 the BTC's enduring financial problems brought the matter to the fore, with the potential requirement for extensive open-ended subsidies. It became an issue in the closures of lines where there was particularly strong opposition, with questions raised in Parliament and the media. Although *Reshaping* sought to clarify the issue, it continued to be controversial. Unsurprisingly, Herbert Morrison, the architect of railway

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[124] MOT Statistics Division, S/28/107, 17 May 1963, MT65/422.
[125] Sir Brian Robertson, *The British Transport System* (London, 1956), p. 18.

nationalisation, was one of the first to question government action. While conceding the difficult financial position of the BRB he asked, somewhat ironically, 'how the government could come to the rescue without giving away the principle of unlimited subsidies and spreading the doctrine that it is alright for the state is behind you'.[126] Other viewpoints tended to polarise and concentrate on cost. As *The Guardian* argued, the subsidisation of obsolete railways was a waste of resources which could be better used elsewhere.[127]

The extent of these subsidies became an issue for the MOT. Its concern centred on the length of time necessary for the BRB to continue to pay them. In certain instances it appeared that some subsidies might be required indefinitely, and even raised to allow for increases in services for passengers who had never previously used the railway.[128] This unwelcome prospect did arise when, fourteen months after withdrawal of railway services, bus operators applied for increased support for their services covering the Brecon-Moat Lane and West Drayton-Yiewsley-Staines routes. After that passage of time it was impossible to determine who was, and who was not, a displaced rail passenger, yet the BRB was still expected to pay the subsidy.[129] This effectively meant that in certain instances the solution to the financial problem of providing rural bus services represented a continuing cost to the railways, and given the extent of planned closures required urgent resolution.

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[126] Morrison, *HLDeb*, 227, c .72, 7 December 1960.
[127] *Guardian*, 1 May 1963.
[128] Scott-Malden, MOT, 16 March 1964, MT87/61.
[129] Margetts (BRB) to the MOT, 11 March 1964, MT87/61.

TABLE 5: PAYMENT OF SUBSIDIES BY BRB 1963

REGION	NO OF SUBSIDIES	£ PAYMENT
EASTERN	6	9,600
LONDON MIDLAND	17	27,500
N. EASTERN	1	1,700
SCOTTISH	1	50
SOUTHERN	5	13,000
WESTERN	22	40,500
TOTAL	52	92,600

SOURCE: BRB *ANNUAL REPORT AND ACCOUNTS 1963*, para. 6, p. 2.

The extent of this problem can be seen from Table 5 where the 52 alternative transport services received subsidies at an annual cost to the BRB of £92,600, a substantial increase from £86,300 the previous year.[130] The widespread closure programme was expected to increased the problem and further contribute to the railways' financial position.

This concern led the MOT to commission the Jack Report to examine the whole question of subsidies for rural bus services. This Report concluded (in common with previous government thinking)[131] that uneconomic services which were continued on the grounds of social or national economic needs should be met by specific grants from public funds. It also recommended that support should be given partly from local sources, and partly from the Treasury.[132] Although the Jack Report may have been low profile, and is rarely referred to in the historical literature, it represented an important step towards clarification of policy for rural transport and its essential ideas instituted.

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[130] *BTC Annual Report and Accounts 1962.*
[131] BTC Reorganisation Committee minutes, 5 December 1960, CAB134/1434.
[132] *The Jack Report on Rural Bus Services,* March 1961.

VI

While line and station closures proved the most controversial element of *Reshaping*, it also proposed other significant radical changes. One, the decision to abandon seasonal passenger traffic operations was understandable in the light of continued growth in coach and bus services and private car ownership, but the policy had further long-term repercussions. The problem for the railways was straightforward: in 1938 there were fewer than two million cars on British roads, a figure which increased to three million in 1954 and six million in 1961. From a political perspective, as Loft argues, supporting the railways through a policy of restrictions on car ownership and road building was simply not practicable. No party could have stood on such a platform during a period of increasing demand and production of cars.[133] This increased road use contributed to a BR decision which superficially appeared to make little commercial sense, given the extent of the seasonal operations business. The ending of these operations was justified on the argument that major savings would be secured by reducing the stock of carriages used for these services. Much of this rolling stock was old, and stood idle for prolonged periods of time. Even so, according to estimates in *Reshaping*, the cost of providing these carriages was £3·4m in order to generate earnings of £0·4m.[134] Both of these figures appear unduly pessimistic, particularly that for earnings in the light of the comprehensive programme of seasonal operations. The decision represented a fundamental change in traditional railway marketing, and began a run-down which effectively signalled the end of special trains

[133] Loft, 'Re-appraisal and reshaping', p. 82.
[134] According to *Reshaping of British Railways*, p. 15, of the stock of 15,500 carriages, 5,500 were constantly utilised and 6,000 were used on average for only 14 hauls a year:

catering for holiday and excursion traffic. Such traffic had been an important contributor to railway revenues for well over a century,[135] and had become even more important in the early 1950s when personal incomes began to rise and holiday entitlement increased. Traditionally, northern mill towns and industrial cities co-ordinated their factory closures or 'Wakes Weeks', when huge numbers of holiday makers journeyed by special trains to resorts such as Scarborough and Blackpool. Although the numerous special trains frequently created operating difficulties, they also provided substantial additional revenue.

Also affected by the retreat from the special traffic market was the long British tradition of travelling by rail to major sporting occasions. Indeed, many racecourses, notably Newbury and Aintree, had their own individual stations. The demands of football supporters created more special trains than for any other type of event. Arguably the most lucrative was that to the Empire Stadium at Wembley, which had its own station and railway loop facilities, constructed for the Empire Exhibition of 1924. This railway and station had remained in use until the war, when they became dilapidated. But they were refurbished for the 1948 Olympic Games, and were then used extensively for schools specials for a variety of sports. However, as road transport became the favoured medium for visitors in the early 1960s, they were allowed to decline. Only intermittent use was then made of the railway for cup finals. By the mid 1960s all railway facilities were removed, and

[135] Although there are numerous other claims, the first excursion train appears to have been that chartered on 16 September 1830 by the Society of Friends in Liverpool to convey 130 members to a quarterly meeting in Manchester.

redevelopment resulted in the removal of all traces of what had been an extensive infrastructure.[136]

A further factor in the decision to discontinue special train services was the impact of a cultural change which ended special excursions organised by major employers for their workforce. Large companies such as ICI, the Northern Rubber Company, and the Raleigh Cycle Company of Nottingham had all generated important business for the railways. Typical of this was the running for Raleigh of eleven special trains from Nottingham to Morecombe on 24 May 1952. Although the frequency of such excursions had begun to decline by the time of *Reshaping*, many of them continued – but now the companies were obliged to use road transport.

Special train services also served other types of regional or national events, such as the Durham Miners' Gala. In this instance it had been traditional for whole mining communities to travel together on special trains. Again, changing social mores and the convenience and flexibility of road transport undermined this pattern, and the railway's dominant position disappeared. During the 1950s Elvet station at Durham, with its associated railway infrastructure, was dismantled and the area converted into car parking.[137]

As disposable income and holiday entitlement increased during the early 1950s, a new social development had emerged: the holiday camp, developed by such businessmen as Billy Butlin. This form of holiday became hugely popular, and benefited the railways because almost all travel to the camps was by rail; indeed, in some instances they provided the only means

[136] *British Railways Illustrated*, 3 (1994), p. 418.
[137] Elvet station was last used on 18 July 1953, although special trains continued to use the main station for some time after.

of access.[138] These arrangements started to decline in the late 1950s, with the spread of car ownership.

The difficulty for all these special services was that they suffered from the general perception of the railway as old-fashioned and inefficient. They frequently experienced severe delays which tended to be caused by the use of poor-quality carriages at times of excess demand, such as peak summer weekends and bank holidays. Consequently the travelling public rarely took much persuading to switch to more preferable forms of personal transport when these became available.

Another alternative mode of transport which began to undermine passenger railway usage rapidly during the early 1960s was the growth of air travel. Ironically, this competition was often on routes and services historically developed by the railway companies before nationalisation, although by now operated by other publicly-owned companies. *Reshaping* recognised the impact of air transport on three main routes from London: to Newcastle, Manchester and Scotland. It accepted that air transport made serious inroads on the loading of day trains to Scotland and expected it to continue to do so.[139] Yet initially, it was on passenger shipping that air travel made the greatest inroads, as advances in aircraft technology and production allowed transatlantic journeys to be completed in hours rather than a week. This rapid collapse of ocean passenger transport in the early 1960s had a substantial impact upon railway traffic. Most liner passengers had travelled to their embarkation point by rail, using the harbour stations which were a feature of most ports. The Mersey Docks and Harbour Board

[138] Filey, Minehead and Pwllheli had sizeable, specially-constructed, stations to serve the holiday camps.
[139] *Reshaping*, p. 13.

maintained a sizeable station at Liverpool Riverside, constructed especially for boat trains. Even bigger was the massive Ocean Terminal at Southampton, while Newcastle had its Tyne Commission Quay and Tilbury was an important embarkation point for Australia and New Zealand. These facilities had generated extensive railway revenues, but the success of air travel led to their rundown as passenger trade concentrated at airports where road transport dominated.

The extent of this decline can be seen from the details of special traffic. In 1949 the BTC ran a record 18,200 special trains carrying 6,800,000 passengers worth £2·4m in receipts. A further 4,400,000 passengers were carried on ordinary trains at special excursion fares.[140] In contrast, the 1963 BRB Annual Report made no reference to any special services. Instead the emphasis had moved to a different marketing approach, the sale of reduced fares or 'travel bargains' on scheduled services to attract additional traffic and fill vacant seats.[141] The decision to reduce coaching stock was outlined in *Reshaping*, where it predicted that by the end of 1965 coaching stock would not be available at peak times for special services, in other words at the very time they were most required.[142]

This policy – to withdraw special and excursion traffic – did bring one kind of benefit to BR: it allowed the scrapping of a large number of old coaches without the need to finance replacements. Yet while this may have had a beneficial short-term impact on finances, its effect was 'one off'. In the longer term the decision was perhaps damaging. It had a deleterious impact in reducing potential carrying capacity and operating flexibility. It also

[140] *BTC Annual Report and Accounts 1949*, para. 212.
[141] *BRB Annual Report and Accounts 1963*, para. 33.
[142] *Reshaping*, p. 15.

reinforced the perception of rail as outmoded, and meant that many children never experienced rail travel and so as adults were less likely to be attracted to use the railways.

VII

The *Reshaping* Report also proposed similarly significant changes in freight services, because it was estimated that general merchandise traffic failed to cover its direct costs by £31·8m each year.[143] In order to remedy this, uneconomic services were to be withdrawn, a process which signalled both closure of numerous small stations and goods depots, and the end of the pick-up freight train. Again, this policy was not without controversy, for as Gourvish observes 'in 1962 and 1963 Beeching, Margetts, Shirley and others had encouraged railway managers to think chiefly in terms of cutting out traffics, sometimes with scarcely any examination of costs'.[144] One specific casualty was the traffic in carrying fish which historically had provided much business. However, by the mid 1960s with reduced catches from the impact of the 'Cod Wars', train-load traffic became uneconomic. BR did not contemplate a policy of handling the business more cheaply. As a result, rail carryings ceased completely as road transport offered the more cost-effective single truck-load to the British Fishing Fleet.

Even if the railways sought to pursue more general merchandise traffic, this was thwarted by the design of many of the new industrial estates, which were often located on green-field sites without access to rail services. Nevertheless where a rail link did exist, this often disappeared in the rail

[143] *Reshaping*, p. 148.
[144] Gourvish, *British Railways*, p. 425

closures of the 1960s, with ambivalent effects. A typical example was the Portrack Industrial Estate at Stockton, where the single-track branch line was closed to save costs, yet resulted in further lost merchandise carryings.

According to *Reshaping* other freight business which was judged to be worth keeping was to be operated more effectively and efficiently, by means of the introduction of full-train load workings, a move strongly supported by the National Coal Board (NCB) and the Central Electricity Generating Board (CEGB). Both boards were under similar pressures to the railways, with a need to reduce deficits and costs. For the NCB the importance of these freight changes was considerable, as these were the only costs not under its own control. The proposed rationalisation promised substantial savings, through the closure of numerous small stations and their associated coal-handling depots in favour of concentration of traffic in mechanised depots, and to end the marshalling of numerous single wagon-loads. However, as Gourvish observes progress was slow and the financial results disappointing, and there was even consideration of withdrawal from the household coal market altogether. Success depended upon a sophisticated control of the commercial and operating environment, and this was lacking.[145] The first new concentration depot was opened at West Drayton in 1963, and it then took until 1970 before there were 60 fully-mechanised depots in operation.[146] Similar economies were also sought by the CEGB, because transport charges for coal, its major fuel source, represented 15-30% of its total costs.[147] Economies were achieved by using

[145] Gourvish, *British Railways*, p. 489.
[146] Lord Robens, *Ten Year Stint*, p. 65.
[147] CEGB to SAG, 29 August 1960, MT132/88.

the merry-go-round system of train operation, which greatly increased the efficiency and reduced costs.

However, attempts to promote increases in rail use through more efficient operation encountered serious opposition from a labour force attached to its traditional restrictive working practices. The plan to introduce railway freight terminals with open access to all road hauliers was thwarted by trade union intransigence towards acceptance of new working arrangements. Hardy reports that Beeching himself accepted in later years that he should have taken a stronger line on this 'Freightliner' concept, and risked a head-on confrontation with the unions.[148] That he did not do so effectively meant a lost opportunity for integrated freight working.

A further issue also proved damaging and resulted in loss of confidence in the railway's ability to handle merchandise traffic. This was the widespread theft of merchandise during rail transit. The BTC reported to the SAG that during 1959 a total of 1,500 BR employees had been convicted of theft. It was also observed that there was an abundance of opportunities for this, particularly with parcels traffic.[149] Hardy, with personal experience of working on the railways, concluded that: 'The Reshaping Report stressed the need for change, but did not specify a need to examine working practices and the racketeering that went on behind the scenes'.[150] In view of this it is hardly surprising that so much of the general merchandise trade turned to road haulage, because this offered more direct delivery without the risk of loss and damage through costly and time-consuming trans-shipment.

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[148] Hardy, *Beeching*, p. 106.
[149] Warnsbrough-Jones (Secretary-General BTC) to SAG, 8 July 1959, MT132/88.
[150] Hardy, *Beeching*, p. 104.

A further major element of cost saving outlined in *Reshaping* was the generation of financial savings through greater labour efficiency. As Beeching recognised, in 1962 the railways retained a traditional operational philosophy which was highly labour intensive. However, the ability to analyse labour costs and calculate potential savings was weakened by the way in which BR produced its labour statistics and as Gourvish notes, 'by frequent changes in the grade structure and by the application of successive stages of pay and productivity agreements'.[151] The approach showed a lack of detailed financial information on wages and salaries, a failing described in the MOT in 1961 as 'extraordinary' and 'a deficiency which must be remedied'.[152] It was redressed, but this had to be done not by BR but by the MOT itself, which had to laboriously calculate specific labour costs from the 1960 staff census. This exercise revealed that wages and salaries consumed 64-65% of total operating cost. During this period of close financial analysis by Beeching, 'it is perhaps ironic that railwaymen should have made their greatest real gains [in wages] when cost-consciousness was high'.[153]

Historically, a large proportion of labour reductions had been achieved through natural wastage, because the railways generated a high turnover of staff. Beeching estimated these to be over 80,000 each year.[154] The age profile of the workforce also helped, because many were near retirement age, with 30% over 55 years and 15% over 60.[155] Even so,

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[151] Gourvish, *British Railways*, p. 529.
[152] Venning to Osborn, 15 December 1961, MT65/360.
[153] Gourvish, *British Railways,* p. 530.
[154] *Reshaping*, p. 51.
[155] MOT - BTC Current Trends and Future Traffics, 3 November 1961, MT65/360.

redundancies were envisaged, with a revised procedure and more generous settlements.

However, one of Beeching's greatest challenges in the management of change was the well-known and long-established problem of the railway workshops. Although strictly speaking this issue was not part of *Reshaping* – plans for reduction in workshop capacity preceded the report – the process was intrinsic to Beeching's overall approach. The extent of the problem was substantial and had considerable social implications. In 1961 the railway workshops employed 61,900 people in 28 different works.[156] These facilities were effectively industrial factories organised on a massive scale, constructing and maintaining almost everything required by the railways. Yet technical advances had made much of what they did, and their equipment and techniques obsolete. Consequently BR possessed a massive production and maintenance capability which had become increasingly unnecessary to the operation of the railways. Modern diesel and electric traction were designed to accumulate much higher mileages between periodic overhauls, required fewer and more specialist works facilities, and relied on a limited number of highly-qualified technicians. The Modernisation Plan had first cast the shadow over the workshops, but it was the re-appraisal of 1959 which proposed specific changes. Of the 22 works engaged on the construction and repair of locomotives in 1959, re-appraisal anticipated that only 12 were to remain by the end of 1963.[157]

In addition, *Reshaping* planned large-scale reductions of the wagon and coaching stock, which further diminished the requirement for works

[156] Closure of railway workshops, 8 August 1962, MT87/113.
[157] Nationalised Transport Reorganisation Policy, Appendix B, MT132/39.

capacity and its associated large labour force. Elimination of these was technically and economically necessary, but the potential impact on railway towns such as Horwich,[158] Darlington, and Shildon was likely to be substantial in terms of the social impact of large-scale redundancies. This fact had been appreciated in the MOT, and the implications were reported to Beeching and other government departments in a co-ordinated attempt to mitigate the impact of the issue.[159] Such was the level of concern that in August 1962 the proposed reorganisation was discussed in the Cabinet Committee on Population and Employment, which agreed in principle with the plans for reorganisation.[160]

Beeching was fully aware of the implications of all of this and realised the need for a coherent, transparent, and effectively managed strategy. He had therefore appointed Sir Steuart Mitchell[161] to join the BTC and to lead a new Workshops Division, with a specific remit to oversee the reorganisation of the workshops. Mitchell produced a highly detailed analysis, which unsurprisingly recommended a considerable reduction in workshop facilities, a process predicted to have the most severe effects in north-east England. There, unemployment had already been increasing through the impact of structural change in the local economy. For example in 1962, the closure of the Sir William Gray shipyard at West Hartlepool had resulted in the loss of 1,700 jobs, and now the closure of Darlington railway works was predicted to lead to the loss of 2,580 more. In the light of this, a working party from the Ministry of Labour was set up to examine the alternatives. This considered

[158] Horwich is now effectively part of Bolton in Lancashire.
[159] Serpell (MOT), 8 August 1962, MT87/113.
[160] Cabinet Committee on Population and Employment, 22 August 1962, MT87/113.
[161] Controller of guided weapons and electronics at the Ministry of Aviation.

the possibility of shutting the Doncaster railway works instead. However, its conclusion supported the BTC view that any advantage here would be more than offset by the additional cost of closure of a more cost-efficient and modern facility.[162]

The social impact of BTC workshop closures was increased by the difficulties facing the private firms which manufactured railway equipment. They faced the loss of a home market, and for the North British Locomotive Company it led to collapse and voluntary liquidation in April 1962.[163] The company had been unable to convert successfully from building steam locomotives, and its attempts at diesel traction proved to be disastrous. In contrast, the English Electric Company was more successful in designing and building diesel units; yet intense competition forced it to rationalise production, resulting in closure of its Darlington (Robert Stephenson and Hawthorn) factory in 1963. Other companies such as Metropolitan Cammell were sustained by their ability to serve export markets, but even so intense overseas competition meant that they required assistance from the favourable financial terms offered by the Export Credit Guarantees Department.

Unsurprisingly, the railway unions were critical of the prospect of a reduction in the number of workshops, and their stance became even more hostile when BR continued to follow the policy of procurement from outside contractors. There was an angry union response to the news in the *Yorkshire Post* during September 1962, that BR had placed a £23m order for

[162] MOT to PM, 30 August 1962, MT87/113.
[163] The Company built 239 diesel locomotives for BR but their performance was so poor that had it not gone into voluntary liquidation, compensation would have been claimed for shoddy workmanship. Most were scrapped after very short working lives.

294 diesel locomotives with outside contractors.[164] Thereafter, the unions demonstrated a co-ordinated, vociferous, and persistent opposition to closure plans, and it was this as much as anything which swayed public opinion on the Beeching proposals. Union anger at BR's policy of outside procurement of diesel locomotives was heightened when it was reported that machine tools (used in the construction of diesel locomotives) were to be transferred from Darlington works to the privately-owned Beyer Peacock's Manchester plant. Such was union indignation at this move that there was an unsuccessful attempt to block the transfer.[165] In the main, resentment at the use of outside firms was based on the unions' belief that the railway workshops could produce parts and equipment cheaper than commercial competitors.[166]

While the potential impact of unemployment was substantial, given the circumstances there was no alternative to shutting some of the railway works, and this was generally accepted by the general public. Closure plans were detailed, including long advance notice, and consultation was extensive – even though decisions were rarely altered. Furthermore, in many areas the consequences of closure often proved less disastrous than predicted, because the early 1960s was a period of full employment offering possibilities of work in other industries. This was true of the closure of the Darlington works, where the popularity of compensation payments for redundancy produced more voluntary redundancies than expected, creating a shortage of appropriate workers which compromised its planned three-

[164] *Yorkshire Post*, 14 September 1962.
[165] *Yorkshire Post*, 12 June 1964.
[166] W. G. Ellis, Secretary NUR Darlington No 2 Branch to Marples, 3 June 1963, MT87/28.

year run down.[167] Before the plans to close the works, Darlington employed 2,580 in its workshops, a number which fell to 1,682 in 1963. This reduction of the workforce by 898 required 226 redundancies, yet 672 opted to leave voluntarily.[168] As a result the enhanced compensation payments were withdrawn in order to avoid acceleration of the run down and avoid premature closure. Examination of the Ministry of Labour employment statistics for Darlington in 1961, before closure of the works, reveals the reasons for so many volunteers for redundancy: 758 were unemployed, but there were alternatives as 472 vacancies were reported. The overall unemployment rate was not bad: 1·6%, compared with a national average of 1·3%.[169] These figures hardly sustain an argument for retention of the works on social grounds, especially given that the earlier closure of Darlington's smaller railway works at Faverdale, with the loss of 380 jobs, created fewer problems than anticipated. Even so, on the planned closure of Darlington works the *Northern Echo* reported 'threat shakes historic rail town',[170] and on 9 March 1964 1,800 men marched through Darlington in protest at the plans for closure of the railway works.

This opposition was probably instrumental in the decision to retain Shildon works for wagon construction and overhaul, and remarkably these works continued until 1982. The Shildon site and part of Darlington's North Road Station continue to offer at least some employment as railway museums. Moreover, Darlington was declared a 'Development District', a designation which offered companies tax and other incentives for location or

[167] *Newcastle Journal*, 18 September 1964.
[168] MOT - Darlington railway workshops, MT87/28.
[169] Ministry of Labour Statistics, Darlington unemployment, 15 May 1961, MT115/258.
[170] *Northern Echo*, 28 March 1963.

re-location in the area. This proved instrumental in attracting some firms; for example, Cummins built a large-scale diesel engine factory there.

Hardy reports that some workers who left the railways felt bitter at what they considered to be shabby treatment, and placed the blame on Beeching.[171] But the larger picture is that a high natural wastage of labour and good redundancy settlements assisted the run-down of the works, while the consequences on employment prospects were less severe than anticipated. Moreover, the majority of the public accepted works closures as making good sense in the context of general railway policy.

Closure of the railway workshops represented only one, admittedly significant, element of reconstruction. A second strategically important requirement was a fundamental change of operating mentality. As shown earlier, the overwhelming size of BR contributed to what proved to be a debilitating attitude, under-estimated in the historical literature. It was clear to Beeching from his experience of SAG that without development in this key area, any possibility of real change would be limited. Although the MOT was well aware of the problem, it was unable to act because day-to-day management was legally in the hands of the BTC and later the BRB.

Nowhere was the traditional approach of railway management better illustrated than in the organisation of passenger traffic. Until the advent of the Beeching approach to marketing (which sought to identify who wanted to travel, where and when), the operating department made the major decisions on how the railways ran passenger services by determining routes, timings, and intermediate stops. Furthermore, on the North Eastern

[171] Hardy, *Beeching*, p. 60.

Region the Passenger Manager was traditionally a sub-section of the Freight Manager's department. It was only after the Beeching Report that the first market research survey was undertaken in the autumn of 1965, and the operating and marketing departments began to confer.[172]

Although management began to recognise the need to become more responsive to its customers needs, other attempts by Beeching to introduce fundamental change in labour practices proved difficult to implement. As shown earlier, the introduction of single-manning of diesel locomotives took many years to introduce, and there were many other examples of groups of workers resisting change. A major issue was job demarcation, and attempts to improve labour flexibility often floundered on this point. Typical was the strike of goods guards at Crewe in January 1962, protesting against changes designed to generate greater efficiency but which required them to couple freight vehicles to their train rather than use shunters. [173] Beeching may have started to implement change in these areas, but it took at least a decade before real progress was made.

By August 1964 the changes engineered by Beeching had generated a spirit of financial optimism in BR. It was now able to report a reduced working deficit of £82m for 1963, compared with £104m in 1962. This performance led BR to believe that it had 'turned the financial corner', achieved by reducing operating expenses in train working and on maintenance and servicing of locomotives, rolling stock, signalling and track. Recruitment was also strictly controlled, producing a staff reduction of

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[172] Norman Blackstock, 'The management of the East Coast Main Line in time of change', *NRM Review* (Spring, 2005), pp. 28-29.
[173] BTC minute 15/31, 7 February 1962, AN85/16.

38,417 to a total of 464,286, with 87% of this decline achieved through natural wastage.[174]

Given these wide-ranging cuts in the labour force and extent of operations, it would have been surprising had there been no improvement in financial performance. However, the improvement was short-lived, for as with line closures the greatest cost-saving measures were implemented first, with the effect that further savings were not achieved so readily. Similarly, although sales of surplus materials for scrap raised £20m and significant sums continued to be raised from the sale of withdrawn steam locomotives, this process had a strictly limited life. Consequently, although BR's losses were reduced after 1963, this proved to be a short-term phenomenon and the MOT's predictions about the difficulties of achieving a financial balance proved accurate. Opinion in the MOT had now concluded that the railways were in a worse state than even *Reshaping* had stated. Indeed, in December 1963 – less than a year after publication of *Reshaping*, and despite the short term progress – the MOT considered that the Report would not achieve anywhere near its aims, and it even went so far as to predict that rail goods traffic was set to decline further.[175] All this was based on statistics which showed that half of all route miles accounted for 4% of passenger miles, half of all passenger stations produced less than 2½% of total passenger revenue, and 57% of all stations produced only 1% of total parcels receipts.[176] Consequently, the MOT concluded that the railways would struggle to achieve financial viability and that there seemed no prospect of

[174] *BRB Annual Report and Accounts 1963*, para. 17, p. 4.
[175] Smethurst to Fogarty ('B' Division), S/28/1/021, 12 December 1963, MT65/425.
[176] MOT, Sheaf to Scott-Malden, 24 June 1963, MT65/422.

the BRB wiping out its deficit by 1970: even halving the deficit would be a major achievement.[177]

The reality is that despite the achievement of short-term success in financial terms, Beeching's concept of a commercial railway operation was never achieved. In effect Beeching provided the foundation for further development of the railway industry, rather than a final solution to its problems. Moreover, the thorny question of subsidy remained controversial even after the acceptance of a social railway concept in the late 1960s, and after what Gourvish describes as the rather cumbersome funding of specified services introduced by the 1968 Transport Act. He further concludes that the adoption of the comprehensive Public Service Obligation after the 1974 Transport Act 'marked an important step forward in the relationship between the government and the BRB'.[178]

Beeching also produced a second less well known report – *The Development of the Major Railway Trunk Routes* – designed to build on *Reshaping*. This was intended to identify a basic network of major trunk routes which it was felt worth developing through intensive investment. It raised the possibility of further rationalisation of railway routes and facilities, and sought to determine which should be developed and which should be downgraded or even closed. Understandably, the preparation of this second report generated great concern and debate within the regions, a process which slowed its publication. Although a necessary corollary to *Reshaping*, it differed in two important respects: it concentrated on the major routes, and provided the basis for long-term planning, rather than a plan for immediate

[177] MOT– Prospect for financial viability of the railway system, 17 May 1963, MT65/422.
[178] Gourvish, *British Railways*, p. 574.

action. Preparation of *Trunk Routes* began under the Conservative government, but its replacement by Wilson's Labour government in October 1964 raised the question of whether to accept a scheme set up under the previous administration, however basic and helpful it might be. The new Minister of Transport, Tom Fraser, was unenthusiastic on the basis of its origin, despite an acceptance in the MOT that the proposed report would be valuable, particularly on such matters as the amount of investment required and its priorities. Wilson also had reservations,[179] but after strong MOT pressure on Fraser, it was eventually published, on 16 February 1965.

The impact of the *Trunk Routes* was very limited. Perhaps its greatest influence lay in that it effectively signalled the start of further re-thinking by railway management. And this led, as Gourvish observes, to a move from cost control through line closures, to policies which embraced movement costs, and to retention of some traffic by an assault on total operating costs.[180]

The Labour government then attempted to produce its own transport plan covering all inland transport. As Gourvish notes, this became a 'sorry tale'. Beeching was invited by Fraser, with Wilson's encouragement, to undertake a Stedford-type exercise, but after Cabinet opposition imposed limits to the job, Beeching decided to return to ICI.[181] According to Pryke, his medicine was far too strong and unpalatable for a Labour party recently returned to power.[182] Crossman explained why: any proposals from

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[179] PM to Layman (MOT), 25 January 1965, MT124/1103.
[180] Gourvish, *British Railways*, p. 424.
[181] Gourvish, *British Railways,* p. 344.
[182] Richard Pryke, *Nationalised industries, policies and performance* (Oxford, 1981), p. 74.

Beeching would be discredited among trade unions by the very fact that he had produced them, because they considered him the enemy of public transport.[183]

What can one conclude about the Beeching era? Gourvish notes that 'whatever its shortcomings, Beeching's *Reshaping* did represent the clearest statement to date of the dilemma facing this nationalised industry'. He quoted Freeman Allen's conclusion that it made 'the public face up to the question of striking a balance between the social necessity of public transport in areas where it cannot pay its way and the financial burden on the rest of the community of providing such transport'.[184] Bonavia observed that for line and station closures, *Reshaping* 'speeded up and gave coherence to a process that was already at work', and that by 1963 'the decade of really intensive change had got well under way.'[185] Even so, despite the impact of *Reshaping* in leading this conversion of the railways, as Gourvish noted the changes while real were far from complete.[186] Pollins concludes that at first things seemed to be going well but after five years increases in the cost of factors, especially labour, had largely wiped out any reduction in costs.[187] According to Hardy, Beeching accepted the need for a stronger line towards the unions.[188] However, the enduring legacy of Beeching remains his attempted reconceptualisation of the role and scope of the railways and *The Reshaping of British Railways* is correctly described by

[183] Crossman, *Diaries of a Cabinet Minister, Vol. 1*, p. 101.
[184] Gourvish, *British Railways*, p. 414.
[185] Bonavia, *British Rail – the First 25 Years*, p. 120, 123.
[186] Gourvish, *British Railways*, p. 579.
[187] Pollins, *Britain's Railways*, p. 178.
[188] Hardy, *Beeching*, p. 106.

Gourvish as one of the most important single publications on transport in the post-war period.[189]

The Beeching Report did fundamentally change the organisation, structure, thinking, financial performance, style of management, and corporate planning of the railway system. Piecemeal attempts had been made earlier to overcome some of its shortcomings, but these had proved unsuccessful. Not even the Modernisation Plan had anticipated the need for such a fundamental re-conceptualisation of operating mentality.

While Beeching introduced a new way of thinking, it took some years to permeate fully into the management process. One example of this was the response to a new insistence on back-checking, a process formally written into the criteria for capital investment which had been agreed by the BRB and the Minister of Transport in December 1963. Only three reports were produced by May 1967, and even these were strongly criticised by the MOT as lacking any detailed analysis. Even the report on the hugely expensive London Midland electrification appeared to comprise just a 'half sheet of paper'.[190] This deficiency is all the more remarkable given the railways' desire for government to provide further large-scale investment for additional electrification projects, such as the East Coast main-line.

Perhaps the most enduring and inaccurate perception of Beeching is that he introduced the policy of closure of loss-making lines. In reality, line closures had been occurring for at least a century. However, these had never been pursued effectively enough to secure economic levels of operation. The BTC could and should have accelerated the closure of

[189] Gourvish, *British Railways*, p. 401.
[190] MOT - Follow up of investment on approved projects, 23 May 1967, MT124/921.

uneconomic lines, but it was unwilling to do so. As a result, Beeching's name became synonymous with closures. It even generated a BBC situation comedy in 1997, when the audiences clearly understood the implication of Oh! Dr Beeching what have you done? [191] Even today the name remains linked to a policy of cutbacks in services, and the term 'Beeching axe' is frequently used in the media whenever there is threat of closure.

Beeching was not prepared to operate in the emasculated role envisaged by the Labour government, and he relinquished the BRB Chairmanship on 31 May 1965 to be succeeded by Stanley Raymond. Beeching was granted a life peerage, and at his final meeting the BRB recorded their warm appreciation for the way he had conducted proceedings, and their gratitude for the vital leadership that he had given the railway industry.

[191] Reference was even made to the 'Beeching cuts' in the TV drama 'Midsomer Murders' in August 2007.

CONCLUSION

Nothing in the past is dead for those who seek to understand how the present has come to be what it is. (anon)

The history of the management of British Railways between the vesting of the railway companies' assets into a public corporation on 1 January 1948 to the resignation of Richard Beeching on 31 May 1965 has proved enduringly controversial. The historical literature is marked by a lack of understanding in the general surveys, and by partisan accounts and interpretations in many of the specialist works. An attempt has been made in this thesis to achieve a fuller empirical understanding, and a balanced analysis of the influences on BR management during the period.

Any investigation into the performance of railway management and the development of state-industry relations is most effective if approached with an understanding of how these structures developed. Behind the Attlee Labour government's rationale for public ownership was a disposition to *dirigisme* coupled with a determination to institute a truly mixed economy, which was considered a necessary pre-requisite for the creation of the 'New Jerusalem'. An important element was the economic argument that creation of a publicly-owned monopoly of transport would automatically lead to greater efficiency. This was accepted without question within the Labour government, which also contended that only through public ownership could a necessary reconstruction and modernisation of the railways be achieved. Underpinning this was a confidence in the commonly held, but never tested view, that a large-scale undertaking would automatically bring operational advantages. The research undertaken by the Labour Party Executive

Committee to support these claims was superficial, lacked proper consideration of the management of large-scale industry, and appeared as much designed for propaganda purposes as planning for the future.

The accuracy of an assumption in the historical literature that the change to public ownership was uncontentious has also been challenged. The Big Four did fight tenaciously to retain their independence, and even offered a far-reaching alternative compromise proposal which would have allowed the Labour government to fulfil its manifesto pledge of railway nationalisation, but at the same time retain elements of private ownership. There was also stronger and more extensive opposition to railway nationalisation from the Conservatives, particularly in the House of Lords, than is usually acknowledged.

The performance of the nationalised railway after 1948 fell far below the expectations of its creators. It is unlikely that the management of the Big Four could have done worse. Indeed, the record of the railway companies during and after the war indicates that they possessed the requisite management structures and skills to undertake the post-war challenges. Even more revealing is the extent to which the LNER was prepared in planning terms to move forward and embrace technical change by 1948. Had their plans proceeded after nationalisation, modernisation of the railways would have been significantly accelerated. Furthermore, the record of the Big Four in terms of post-war reconstruction was impressive, despite the constraints placed on them by government planning policy and the state of the national economy. It has also been argued that had the railways received their full entitlement from the war compensation fund, finance would

have been available to make substantial progress in modernisation. Ironically, the nationalised railway eventually reverted to a regional system of organisation strongly reminiscent of the Big Four.

A further consequence of the first Attlee government's preoccupation with rapid progress towards public ownership was that of limited consideration to assist in the design of suitable management structures. This, and hastily drafted legislation, resulted in the creation of an ineffective structure of governance and management by the Cabinet Committee for the Socialisation of Industry. The CCSI did not investigate alternative management structures fully, relying instead on the Morrisonian model developed for a very different form of organisation, the London Passenger Transport Board. This template was then applied to the new public corporations, so that despite the major differences in extent and operation, all were given broadly similar structures. For the railways, this deficiency was compounded by the absence of meaningful consultation between the CCSI and the railway companies; that which did occur was limited to the clarification of certain basic administrative procedures. The outcome of all this was the creation of a giant national monopoly, the BTC, formed to co-ordinate and manage all forms of inland transport.

The haste with which the legislation was drafted produced other unintended consequences, notably lack of precision over the roles of management and minister. These flaws were compounded by inability to attract those with the necessary business skills to work in the politically-dominated environment of a public corporation, because much poorer remuneration was offered than in the business world. Arguably the most

significant flaw in the management structure was Barnes' decision to institute a two-tier management structure of Commission and Executive. From the outset this generated friction, which would have been lessened if the Commission had been allowed to appoint its own Executive. It led to problems of management efficiency and difficulties in working relations between the BTC and the RE, problems which continued until the demise of the latter under the 1953 Transport Act.

Unlike the coal industry, where the period between the end of the war August 1945 and the implementation of nationalisation has been described as 'wasted months',[1] the railway companies made great strides in rebuilding their infrastructure from the impact of war damage. Much was achieved, notably in the replacement of track and other capital equipment, although the process was not fully complete by nationalisation. Despite this positive start given to public ownership, it did not take long for problems to become apparent. Other public corporations also experienced difficulties with their management and performance, and although this generated serious concern within government, Morrison's initial response was to describe them as 'birth pangs'.[2] However, it soon became apparent that the problems were deep-rooted and enduring.

It also became apparent that the use of the nationalised industries as instruments of micro-economic control and macro-economic policy was nowhere near as effective as anticipated by the advocates of public ownership. Consequently during the remainder of the Labour government's tenure, the Cabinet was driven back to a strategy of 'consolidation', in an

[1] Tookey, 'Three's a crowd?' p. 508.
[2] Morrison to CCSI, 29 June 1948, CAB134/688.

attempt to overcome the management and organisational problems of the nationalised industries.

Both Hurcomb and Robertson, as chairmen of the BTC, were aware of the limitations of ministerial and parliamentary control, with the result that Hurcomb ran the railways almost as a department of the civil service, demonstrating no entrepreneurial flair or business acumen, with the emphasis on procedure and protocol. Little progress was made in the modernisation and operating efficiency of the railway system. Nowhere was the ineffectiveness of management more apparent than in a reactionary approach to traction demonstrated by Riddles, when he introduced the range of standard steam locomotives. Traction was fundamental to the operating capability of the railways, and public ownership offered an opportunity to embrace comprehensive technical advance using diesel traction, as already envisaged by the LNER in its pre-war planning. This opportunity could, and should, have provided the impetus to introduce a clean, efficient, modern system. Instead the decision to perpetuate outmoded steam technology constrained modernisation for at least a decade, and was a vast waste of resources.

Financial issues are central to this investigation, because concerns about these were responsible for much of government action towards the railways. Initially, it was anticipated that the new public monopolies would create surpluses: it was the disposal of these, rather than concern about deficits, which received attention from the CCSI. However, anxiety about deficits rapidly came to the fore and continued to be a problem for management throughout the period covered here. One element of this was

the payment of compensation to the shareholders of the Big Four. At the time this was accepted by all those concerned as reasonable and fair, but several historical commentators have pronounced it an unfair burden on the railway's financial position. However, almost all industrial concerns are faced with the need to finance borrowing; moreover, a significant proportion of the interest burden actually related not to the railways, but to the purchase of road haulage undertakings after nationalisation.

The BTC argued that its disappointing performance could, at least in part, be explained by circumstances which lay outside their control. It is accepted that the state of the national economy, the balance of payments crises, the need to prioritise on exports, national reconstruction, and later the Korean War all influenced the ability to provide investment resources. Nevertheless the railway's position might have been much worse, especially from restrictions on steel allocation and labour shortages. During the period 1948-52 the BTC received over 80% of its planned steel requirements, and although there were difficulties in finding adequate labour, the impact was often localised and in some areas there was even evidence of over-manning. Furthermore, the labour shortages did not appear to promote a management drive for greater productivity or more efficient use of labour.

The level of investment as a percentage of the UK total received by the railways and highways and roads is shown in Table 6. It can be seen that overall the railways fared better than roads, but railway investment was historically low between 1948 and 1955. Although investment increased under the Modernisation Plan, it nonetheless fell again in the early 1960s.

TABLE 6: GROSS DOMESTIC FIXED CAPITAL FORMATION IN HIGHWAYS AND BRIDGES AND IN RAILWAYS, AS A PERCENTAGE OF THE UK TOTAL 1928-38 AND 1948-60.

Years	Highways/Bridges	Railways	Total
1920-29	3·7	4·2	7·9
1930-39	3·2	3·5	6·7
1948-51	0·6	2·6	3·2
1952-55	0·7	2·3	3·0
1956-58	1·3	3·5	4·8
1959-60	2·1	4·3	6·4

Source: C. H. Feinstein, *National Income, Expenditure and Output of the United Kingdom1855-1965* (Cambridge 1972), Table 41, from Scott, 'Public Sector Investment' p. 412.

These 'phases' in railway investment can also be seen from Table 7 which clearly reinforces the view that criticism of management in the 1950s can, to some extent be mitigated by the low level of investment resources available.

TABLE 7: DEPRECIATION AND NET INVESTMENT 1948-64 AT CONSTANT 1948 PRICES (£M)

YEAR	DEPRECIATION	NET INVESTMENT
1948	26·3	14·0
1949	27·9	14·6
1950	28·5	10·8
1951	27·7	7·1
1952	32·8	-3·0
1953	30·6	8·8
1954	30·6	13·9
1955	30·7	16·2
1956	33·8	22·0
1957	37.3	38·3
1958	42·7	41·1
1959	53·0	45·4
1960	59·7	34·5
1961	55·6	23·8
1962	53·9	6·8
1963	60·1	-13·2
1964	64·2	-14·0

Source: Gourvish, *British Railways* Appendix B, p. 602

However, an alternative view is that in periods of low investment opportunity, it becomes all the more important to use what is available most effectively. Whichever perspective is adopted, these figures illustrate that high levels of investment were only made available from the mid 1950s onwards and it has been shown that management made questionable decisions on its use. In particular, it has been argued that this investment was not used as efficiently as it could have been, because in areas such as traction policy there were ineffective management strategies, prevarication and a waste of resources.

While nationalisation was popular initially with those working in the industry, this rapidly changed. The unions were disappointed that worker representation on the boards of the nationalised industries was so lacking. Combined with the obvious lack of improvement in working conditions and wage levels, this created disenchantment in the labour force, something which became very apparent by 1951. By then the performance of the public corporations generally had come under increased scrutiny, because it had become clear that nationalisation *per se* had not improved operating capability, nor enhanced the progress of modernisation. Indeed, it is argued here that the performance of the railways had deteriorated since nationalisation. However, the opportunity for Labour to implement 'consolidation' was curtailed by their defeat in the close General Election of 1951.

The new Conservative government faced even greater problems. By now management of such a large and geographically wide-ranging organisation as the railways appeared beyond the capability of the BTC. Nor

had it achieved the intended integration of all forms of inland transport. In practice the BTC had made little attempt to achieve such co-ordination.

The Conservative government was also concerned that Britain was experiencing slower growth rates than many other countries, and that consequently standards of living and investment capability were falling behind international competitors. This created pressures for an economic policy capable of boosting faster growth. The key elements were an end to wartime controls, increased competition within the domestic economy, and a drive for greater efficiency and productivity. Competition was restored in the transport industry, to the extent of privatisation of long-distance road haulage, but the poor financial position and operational weaknesses of the railways ensured that they had to remain in public ownership.

An attempt was made in the 1953 Transport Act to improve operational efficiency through the stimulus of a simplified management structure and decentralisation through the establishment of area boards. The Railway Executive was abolished, although surprisingly almost all its members retained posts in the reorganised structure. The one major change was the replacement of Hurcomb by Robertson. However, this did not provide the strategic leadership anticipated, despite Churchill's reasoning that if anyone were capable of developing and carrying out strategy it should be an army general. But Robertson's strategic skills could not be transferred to the business environment. He introduced a labyrinthine organisation which proved confusing to all involved. This debilitating management structure allowed a further waste of resources through the debacle of the introduction of dieselisation, where the BTC appeared unable to implement

its own policies on standardisation. This was compounded by the waste from decisions made on braking systems, which again resulted in modernisation taking longer and costing far more than it should. Both management and workforce were imprisoned in backward-looking, 'nostalgic' attitudes which also hindered the progress of modernisation.

By 1955 the improved economic situation led the Treasury to sanction large-scale capital expenditure for the railways, and the BTC was allowed to develop its Modernisation Plan. Confidentially the MOT and the Cabinet expressed serious reservations, but publicly they welcomed the Plan and allowed it to proceed. The BTC then implemented a series of expensive technical improvements, without proper financial appraisal, which ultimately proved to be of varying value. As these problems emerged, it became clear that the Modernisation Plan had been inadequately researched and hastily prepared.

A number of issues exemplify this lack of strategic planning. Despite a huge loss of merchandise traffic,[3] market research was only undertaken after the Minister of Transport arranged meetings between Robertson and representatives of manufacturing industry to ascertain the latter's requirements. Similarly, standardisation was not pursued in traction, and the regions were allowed to develop in very different directions. Even the implementation of the 24-hour clock for timetable purposes in 1962, was initially only introduced on the Western Region, a move which simply confused the traveller and indicated a lack of consistency.

[3] The MOT calculated that between 1952 and 1955 industrial production increased by 20%, and road goods traffic increased 15%, yet railway general merchandise traffic fell by 11%, MT65/357.

The costly debacle over the introduction of diesel traction can be illustrated by the stock position at the end of 1962. There were a total of 30 different types, with 14 of these consisting of 10 or less units: this created excessive and costly maintenance problems. Experience in Britain with the standard steam locomotives had shown that only a few types were required, while US practice showed that only three types were sufficient. The opportunity to revolutionise speed and frequency of services was also lost when steam locomotives were replaced with diesels of lesser power ratings. Not only that, but the Modernisation Plan failed to supply adequate investment for modernising facilities for passengers. At a time of increasing public expectation and wider access to private transport, this was a crucial omission. On all projects there was a lack of proper investment appraisal, most apparent on the increasingly expensive London Midland electrification scheme.

Labour issues were a further area where the BTC was unable to alter traditional operating practices, which often negated the effect of the introduction of more advanced and highly expensive technical equipment. An example is the agreement with the trade unions on the introduction of single-manning of freight trains, something which took years to negotiate, and then proved of doubtful value owing to the number of union conditions. It was not until the findings of an outside inquiry, the Guillebaud Report, that the problems of over a hundred wage grades was identified, and the recommendations made for simplification in the interests of more coherent management.

Although some of the historical literature has blamed government for instituting continual change, that charge cannot be sustained in the years between the 1953 and 1962 Transport Acts. During that period, the government maintained support for the BTC and its Modernisation Plan, despite clear misgivings from the outset. This support is exemplified by the finance advanced from the Treasury to the MOT for the use of the railways. The scale of this is shown in Table 7. It can be seen that the government actually increased its support for the Modernisation Plan's schemes until 1959, by which time it had become obvious that the investments were being accompanied by deterioration, not improvement in the railway's financial position.

Table 8: ADVANCES TO THE BTC ON CAPITAL ACCOUNT 1956-59.

1956 - 40m

1957 - 64m

1958 - 117m

1959 - 123m

Source: Financial position of the BTC, 4 January 1960, MT115/77.

This led to a series of investigations into the railways. First was the instruction to the BTC for a re-appraisal of the Modernisation Plan in the light of the increasing financial deficits, and the need for substantial additional investment from the Treasury. As far as the MOT was concerned this exercise proved futile, increasing its scepticism about the ability of the BTC to undertake effective management. Second was the use of the select committee process to improve parliamentary scrutiny and accountability in all the nationalised industries. The result was the 1960 Select Committee enquiry into the railways, the conclusions of which identified a number of

serious concerns with management, and reinforced the MOT's view of the weaknesses in the BTC investment policy. It quickly identified the poor record of stock utilisation on British Railways as fundamental to improved operating efficiency. Yet the problem had been known from the outset; it had simply not been a management priority. In all areas of rolling stock utilisation, BR performance compared badly with other national railway systems.

The impact of one particular change – the appointment of Marples as Minister of Transport – should not be underestimated. This brought a minister with a real determination to find the solutions to the BTC's financial problems. Not only was Marples influential in organising working parties at Cabinet and MOT level and forming the SAG, but he was determined to act on their findings and recommendations. His thinking was congruent with that of his MOT officials, and there can be little doubt that they were crucial in stimulating the production of Beeching's *Reshaping* Report. Marples had been determined to secure the appointment of Beeching, which he considered essential to secure change in the railway's management thinking. Although Beeching's approach was certainly different, it has been argued here that in fact little was new in his *Reshaping* Report as most of the recommendations were based on previous research and thinking. In particular, focus on the size of the system pre-dated nationalisation, and had been an element in MOT thinking for at least a decade. What Beeching did achieve in his *Reshaping* Report was to offer a clear and coherent plan for the reconceptualisation of the railways, and to provide the determination needed to implement it.

The appointment of Beeching, the 1961 White Paper, and the 1962 Transport Act represented a three-pronged strategy to resolve the railway's financial problems. It offered a comprehensive approach based on the financial implications implicit in the 1961 White Paper, which clarified responsibilities and introduced the idea that the industries should be given a new and broadly common financial framework. Following this the 1962 Transport Act attempted to remedy the managerial weaknesses and thereby resolve the enduring financial problems. This Act altered the nature of the relationship between the BTC and the Minister of Transport, who assumed wider powers of direction in the affairs of the railways.

These changes provided the necessary foundation for the development of a new strategy for the railways, set out in *The Reshaping of British Railways.* The factual basis underpinning this Report was a comprehensive survey of railway cost and revenue upon which the planned changes were justified. This received considerable disparagement, despite it being the most comprehensive (indeed only) survey to date. However as the closure of lines using this raw data accelerated, criticism of its accuracy and validity increased on the basis that Beeching allocated proportions of indirect costs in an arbitrary way. To a certain degree the Beeching proposals were an exercise in public relations, designed to prepare the nation for the far-reaching changes proposed. Whatever the criticisms of Beeching, his impact on railway productivity was considerable: Pryke estimated that transport productivity of which the railways were a prominent part increased by 32% from 1963 to 1968.[4] Horne concluded that even though decades later

[4] Pryke, *The Nationalised Industries, p. 251.*

Britain's railways were still in the red and still not competitive with their continental rivals, this was probably not the fault of Beeching, Marples or Macmillan.[5]

Fundamental to this thesis is recognition of cultural shifts and especially the effects of the development of motor transport. This aspect, little explored in the historical literature, was highly significant. Clearly, railway trade was considerably affected by the development of road transport, particularly the motor car. This and the rise of the consumer society during the 1950s underpinned the development of new consumer industries in highly dispersed locations which required the flexibility of road transport.

Motor cars not only provided the convenience of door-to-door travel at any time, but opened up travel to areas the railway did not reach. They also had profound cultural meanings: an indicator of prosperity, conferring status and bringing pride of ownership; an expression of freedom, individual privacy and spontaneity. It was all these features which contributed to rail transports' loss of its dominant position in carrying people for holidays and travel to sporting events. With air travel also contributing to the railways losses, Beeching concluded that special traffic was a loss-maker and had to be discontinued.

This thesis began with a determination to assess the traditional view typified by Ashworth [6] that the railways suffered as a result of a series of organisational designs and redesigns. This criticism of government policy was reinforced by Gourvish's view that management of the railways was

[5] Horne, *Macmillan 1957-86*, p. 252.
[6] Ashworth, *The State in Business*, p. 23.

hampered by regular interference from the dead hand of government. However, it has been argued here that this view is an oversimplification, and the evidence shows that successive governments generally acted in support of the railways, often despite considerable misgivings. Indeed it can be argued that they were too supportive at times, and that speedier intervention would have been justified. When government did act it was usually in an attempt to protect the public interests through regulative legislation and in pursuit of wider economic issues, such as the control of inflation. At times the effect was to reduce the railway's capacity to increase revenue, and this was a constraint on profitability. However, overall it can be argued that government investment and financial support of deficits more than matched any shortfall. The essential financial problems facing railway management were not effectively addressed, and not until Beeching was there an attempt to reduce operating costs in line with the reduction of business. The largest responsibility for the railway's difficulties lay not with government, but with railway management. Those charged with running the industry never effectively identified management strategies to cope with the sheer physical size and geographical extent of the railways. Their record on investment left much to be desired in terms of strategic planning and cost-effectiveness. However, any criticism must be qualified. The goal of achieving commercial success and fulfilling a public-service commitment proved elusive. It can be argued that these two conflicting aims were incompatible anyway. A consequence of this is that later historical analysis might, in some instances, conclude that at that time railway management was insufficiently commercial when presented with these conflicting requirements.

Even allowing for this, management weaknesses had been apparent from the start of nationalisation, and resulted in a signal failure to develop a coherent, modern and efficient railway network with a common corporate culture. Beeching bravely attempted a reconceptualisation of railway mentality, but the result was enduring denigration of his work from a wide range of interest groups. Although his reforms initiated change, there was resistance, and it therefore took longer for the railways to adapt and reconstruct adequately. Indeed, it took until the mid 1980s before the lessons on modernisation were wholly effective, and the railways began to make fundamental changes to operating practices and to appreciate fully the commercial nature of a modern transport system. However, by the mid 1970s the position began to alter radically, and the appointment of Peter Parker as Chairman of the BRB in 1976 introduced a period when railway management proved to be of a very high standard. This success continued under the two Robert Reids and substantial progress was made in many aspects of railway performance, exemplified by the outstanding operating and financial achievements of Inter-City, British Railways passenger transport sector. A combination of modernisation and effective management had finally arrived!

APPENDIX 1 ROAD TRANSPORT STATISTICS: NUMBER OF VEHICLES AND INDEX OF CHANGE 1948-1957

	CATEGORY OF LICENCE				
YEAR	A	B	C	TOTAL	INDEX
1948	54,391	26,722	85,839	166,952	100
1949	39,037	26,869	100,301	166,207	99
1950	34,129	27,915	124,903	186,947	112
1951	32,718	28,612	139,931	201,261	121
1952	33,494	29,861	148,796	212,151	127
1953	34,936	31,471	157,854	224,261	134
1954	45,208	33,389	169,366	247,963	149
1955	58,330	36,244	183,302	277,876	166
1956	64,481	38,994	195,982	299,457	179
1957	68,280	41,087	206,737	316,104	189

SOURCE: Report on industrial rail traffic by the President of the National Union of Manufacturers and the Chairman of BTC, 24 March 1959.

'A' licence vehicles carried for reward only.

'B' licence for own goods and reward.

'C' licence for own goods only.

APPENDIX 2 BRITISH RAILWAYS: ROUTE MILES AND INDEX OF CHANGE 1948-1970.

YEAR	ROUTE MILEAGE	CHANGE	INDEX
1948	19,361		100
1949	19,573	+212	101
1950	19,471	-102	101
1951	19,357	-114	100
1952	19,276	-81	99
1953	19,222	-54	99
1954	19,151	-71	99
1955	19,061	-90	98
1956	19,025	-36	98
1957	18,965	-60	98
1958	18,848	-117	97
1959	18,565	-283	96
1960	18,369	-196	95
1961	18,214	-155	94
1962	17,471	-743	90
1963	16,982	-489	88
1964	15,991	-991	83
1965	14,920	-1071	77
1966	13,721	-1649	71
1967	13,172	-549	68
1968	12,447	-725	64
1969	12,098	-349	62
1970	11,799	-299	61

Index calculated using data from BTC and BRB Annual Reports 1948-1970.

APPENDIX 3 BRITISH RAILWAYS: CLOSURE OF STATIONS AND INDEX OF CHANGE 1948-1970.

YEAR	STATIONS	CHANGE	INDEX
1948	6,686	-	100
1949	6,628	-58	99
1950	6,513	-115	97
1951	6,214	-299	93
1952	6,026	-188	90
1953	5,867	-159	88
1954	5,753	-114	86
1955	5,595	-158	84
1956	5,474	-121	82
1957	5,410	-64	81
1958	5,264	-146	79
1959	5,060	-204	76
1960	4,877	-183	73
1961	4,712	-165	70
1962	4,347	-365	65
1963	4,145	-202	62
1964	3,574	-571	53
1965	3,161	-413	47
1966	2,869	-292	43
1967	2,750	-119	41
1968	2,616	-134	39
1969	2,509	-107	38
1970	2,423	-86	36

Index calculated using data from BTC and BRB Annual Reports 1948-1970.

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